



## **U.S. Department of State FY 2001 Country Commercial Guide: Ecuador**

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### **CHAPTER I: EXECUTIVE SUMMARY**

This Country Commercial Guide (CCG) presents a comprehensive look at Ecuador's commercial environment, using economic, political, and market analysis.

The Country Commercial Guides were established by the recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U. S. business community. Country Commercial Guides are prepared annually at U. S. Embassies through the combined efforts of several U. S. government agencies.

#### **Background**

Ecuador is a country of 12.65 million inhabitants located on the equator in South America. The economy generated an estimated gross domestic product (GDP) of USD 13.7 billion in 1999 and provides formal sector jobs for about 2.2 million people. With 271,000 square kilometers, Ecuador is the size of the state of Colorado and contains dramatic geographical and biological diversity with rich economic potential. The country consists of four distinct regions: the tropical lowlands of the Pacific coast, the mountains and valleys of the Andean Sierra, the Amazon rain forest of the Oriente, and the Galapagos Islands.

Petroleum production and agricultural exports continue to form the pillars of the Ecuadorian economy. The largely state-operated petroleum sector accounts for about 50 percent of public sector revenue and 36 percent of export earnings, and until recently, ensured a favorable balance of trade for Ecuador. Ecuador is the world's largest exporter

of bananas and roses, and a major producer of shrimp, all three of which together account for about 40 percent of the country's exports.

The public sector continues to be inefficient, and privatization is needed in the telecommunications, electricity, and petroleum sectors to attract the private capital needed to modernize these sectors. New legislation passed in early 2000 should foment privatization efforts in these areas. Reform is also desperately needed in the dysfunctional judicial, public pension, tax, and education systems.

The Ecuadorian economy is largely owned and managed by the private sector, but the state has long played a significant economic role, characterized by bureaucratic regulation, unproductive subsidies, and state ownership of "strategic" economic assets.

Ecuador has been slow to embrace the market-oriented reforms that have taken place elsewhere in Latin America. In early 2000 a new law was passed which included important elements in order to allow for privatization/modernization in the electrical, telecommunications and petroleum sectors. Sale of the Government's electrical distribution companies is planned by the fall of 2000, with the sale of the generation and transmission facilities in early 2001.

During 1999, the United States maintained its position as both the primary market for Ecuadorian exports and the key supplier of Ecuador's import needs. The United States purchased 39 percent of Ecuador's exports in 1999, worth USD 1.7 billion remaining almost the same level as 1998. The United States provides markets for Ecuador's major exports for crude oil, shrimp, bananas, coffee, and cut flowers. Other major Ecuadorian exports to the United States include fish, cocoa, sugar, plywood, and gold.

Purchases by Ecuador from the United States decreased 55 percent in 1999 to USD 919 million on a CIF basis, as the United States supplied 31 percent of Ecuador's total CIF imports. Major American sales to Ecuador included paper products (including kraft paper for banana packing), construction equipment parts, electric generators, wheat, plastics, turbines, computers, corn, motor vehicles and parts, cotton, petroleum gases and oils, fertilizers and pesticides, telecommunications equipment, tire cord, pumps, domestic appliances and refrigeration equipment.

Ecuador and the United States enjoy an excellent relationship based on shared democratic values and economic interests. Many Ecuadorian government and business leaders have been educated in the U.S. The U.S. continues to support Ecuadorian efforts to strengthen the country's democratic institutions, which have faced many difficult challenges over the past 21 years of democratic rule including, most recently, in January 2000. On January 21, former President Jamil Mahuad was ousted by protesters and military insurrectionists and, after hours of uncertainty, was replaced by then-Vice-President Gustavo Noboa.

Ecuador continues to struggle with its worst economic crisis in 70 years. The government's efforts to maintain macroeconomic stability, provide social services and modernize the state bureaucracy are the major political issues affecting the Ecuadorian

business climate. The successful resolution of the border dispute with Peru greatly lessened Ecuador's external threat, but the dangers posed by narco-guerrillas and paramilitary groups on its northern border with Colombia remain.

Ecuador has liberalized its trade regime since 1990, resulting in a reduction of tariffs and tariff dispersion, elimination of most non-tariff surcharges, and enactment of an in-bond processing industry law. It is relatively open to U.S. exports and direct investment. When Ecuador joined the WTO in January 1996, the country set most of its tariff rates at 30 percent or less. Ecuador's average applied tariff rate is about 13 percent ad valorem.

The Ecuadorian government publicly welcomes foreign investment and offers a relatively open foreign investment regime. As a member of the Andean Pact, Ecuador's foreign investment policy is governed largely by Decisions 291 and 292 of 1991. Implementing regulations issued in January 1993 and a 1997 law to promote foreign investment further liberalized the investment regime.

Under current regulations, foreign investors receive the same rights of entry as Ecuadorian private investors. Foreign investment with up to 100 percent equity is allowed without previous authorization or screening in virtually all sectors of the Ecuadorian economy currently open to domestic private investment. Remittances of 100 percent of profits and capital are permitted. Foreign investors must register the amount of their investments with the Central Bank for statistical purposes.

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New foreign investment in Ecuador has been concentrated in the oil sector. Direct foreign investment (DFI) outside the oil sector remains modest and is focused on financial services, food processing, the chemical and pharmaceutical industries, and machinery and vehicle manufacturing. Overall DFI totaled USD 636 million (4.6 percent of GDP) in 1999.

## **CHAPTER II: ECONOMIC TRENDS AND OUTLOOK**

### **A. MAJOR TRENDS AND OUTLOOK**

#### **Introduction and Summary**

Ecuador is a country of 12.65 million inhabitants located on the equator in South America. The economy generated an estimated gross domestic product (GDP) of USD 13.7 billion in 1999 and provides formal sector jobs for about 2.2 million people. With 271,000 square kilometers, Ecuador is the size of the state of Colorado and contains dramatic geographical and biological diversity with rich economic potential. The country consists of four distinct regions: the tropical lowlands of the Pacific coast, the mountains and valleys of the Andean Sierra, the Amazon rain forest of the Oriente, and the Galapagos Islands.

Until the 1970's, Ecuador was an agrarian country dependent on commodity exports. Boom periods were linked to high world prices for coastal products, such as cacao and bananas. Starting in 1972, oil development in the Amazon basin fueled a decade of rapid growth, averaging 9 percent annually, that financed expanded public services, state enterprises, infrastructure, and import-substitution manufacturing. When oil prices fell in the early 1980's, Ecuador failed to reduce inefficient state involvement in the economy. Consequently the 1980's were a decade of stagnation under the burdens of debt, inflation, incomplete adjustment measures, and volatile international oil prices. During the 1990's, Ecuador began to make market-oriented structural reforms, but incomplete implementation has failed to create sustainable growth. In addition, falling oil prices, El Niño storm damage, and the international financial crisis in the late 1990's further hampered economic growth.

Petroleum production and agricultural exports continue to form the pillars of the Ecuadorian economy. The largely state-operated petroleum sector accounts for about 50 percent of public sector revenue and 36 percent of export earnings, and until recently, ensured a favorable balance of trade for Ecuador. Significant new investment in the sector have lagged due to delays in expanding the existing oil pipeline and constructing a second pipeline across the Andes (much of current production potential cannot be brought to market), as well as the government's all-too-common practice of violating contract provisions with private companies. Ecuador is the world's largest exporter of bananas and roses, and a major producer of shrimp, all three of which together account for about 40 percent of the country's exports. Ecuador's farmers also produce a variety of domestic consumption crops. Industry is largely oriented to producing for the domestic market, but regional economic integration is creating more export opportunities for manufacturers. The services sector provides some modern infrastructure and the government hopes to increase the importance of tourism.

The public sector continues to be inefficient, and privatization is needed in the telecommunications, electricity, and petroleum sectors to attract the private capital needed to modernize these sectors. New legislation passed in early 2000 should foment

privatization efforts in these areas. Reform is also desperately needed in the dysfunctional judicial, public pension, tax, and education systems.

During his 1992-1996 presidency, Sixto Duran-Ballen made a partial effort to modernize the state and lay the basis for sustainable economic expansion. Public finances were put on a firmer foundation and agreements were concluded with the IMF and foreign bank creditors. Legislation was passed to reform the financial, agricultural, telecommunications, and energy sectors. Following several years of progressive trade liberalization, Ecuador joined the World Trade Organization in 1996. Unfortunately, possible economic expansion was aborted by a costly border war with Peru in early 1995, followed by an increase in arms spending, a major corruption scandal involving the Vice President, several months of electric power rationing, the failure of a major bank, and uncertainty over upcoming presidential elections.

In July 1996, Abdala Bucaram was elected president on a populist platform of increased social spending. Although he had been a critic of economic modernization, once in office Bucaram endorsed a program based on balancing the budget, fixing the exchange rate to the dollar, and attracting foreign investment. It soon became clear, however, that members of the Bucaram Government were engaged in massive extortion and graft. By the time Bucaram started to implement his macroeconomic program, which called for unpopular adjustment measures, the self-defeating actions of his administration had converged to destroy his political credibility. Mass demonstrations in early February 1997 led the congress to oust Bucaram and name congressional leader Fabian Alarcon as interim president.

The legitimacy of the Alarcon administration was confirmed through a popular referendum in May 1997. However, faced with a growing fiscal deficit caused in part by declining oil prices, damage from El Niño, and massive tax evasion, the government failed to offer the country a coherent economic program. President Alarcon also resorted to short-term borrowing to finance his Administration's programs until he left office in August 1998. Within three months of his inauguration, President Jamil Mahuad quickly signed a peace treaty with Peru and reduced costly public subsidies on natural gas and electricity. However, momentum for further deep structural economic reform faltered.

In early 1999, dropping public confidence in the economy, a faltering banking system, and a large (unfinanced) budget deficit combined to send the local currency (sucre) plunging and inflation soaring. In March, to prevent nation-wide bank failures, the Mahuad administration declared a week-long national bank holiday and froze most of the country's bank deposits. While the deposit freeze halted the soaring inflation rate and stabilized the sucre against the dollar, economic growth was halted. The Mahuad government continued its attempts at negotiating a stand by program with the International Monetary Fund (IMF) in order to bring public finances into balance and restore foreign and domestic confidence in the Ecuadorian economy. However, an agreement was never achieved and the Mahuad government fell in a January 2000 coup d'etat.

Vice President Gustavo Noboa constitutionally succeeded Mahuad in January 2000. President Noboa continued Mahuad's policy of dollarization (with a fixed exchange rate of 25,000 sucres to the dollar) and was able to achieve an agreement with the International Monetary Fund.

### Fiscal Policy

In 1997, President Alarcon rejected the imposition of major revenue measures, and instead sought to reduce the government's budget deficit by improving tax and debt collections and fixing fuel distributor profit margins. In 1998, he reinstituted monthly adjustments to gasoline prices, but refused to eliminate state subsidies for cooking gas and electricity to help finance government spending. Alarcon's attempts to finance the government's budget deficit were hampered by Congress' refusal to hike the value-added tax from 10 percent, and led him to sell large amounts of short-term (one-year) domestic debt.

Soon after taking office in August of 1998, President Mahuad cut gas and electricity subsidies to reduce the budget deficit from 7 to 5.5 percent of gross domestic product (GDP). Mahuad also worked with Congress to replace the income tax with a controversial one percent financial transaction tax on all banking deposits. These measures, combined with an unrealistic 1999 government budget, exacerbated the Mahuad administration's fiscal problems and led Congress to pass a stopgap fiscal package in May. This package reintroduced the income tax for the year 2000 (albeit at greatly reduced levels) and reduced the projected fiscal deficit to a more manageable level of 5.8 of GDP.

The Noboa government, however, still faces the need for a tough medium-term fiscal stabilization program, which is required by the IMF stand by program. President Noboa also instituted significant increases in fuel prices and electricity rates at the beginning of June 2000.

### Monetary and Exchange Policy

In 1992 interest rate controls were lifted and the Central Bank began to manage the money and exchange markets through a weekly auction of its own bonds, secondary market interventions, and the setting of overnight interest rates. The Central Bank began holding foreign exchange auctions in 1997. The 1992 Monetary Regime Law inhibited inflationary deficit financing by restricting the Central Bank's ability to extend credit to the government and state enterprises. However, the Central Bank can and has made liquidity and subordinated loans directly to troubled private financial institutions and could lend foreign exchange reserves to the state under special circumstances. The Central Bank has followed a somewhat conservative monetary policy in the 1990's, refusing to finance government spending through inflationary policies. However, while this has allowed Ecuador to avoid hyperinflation, the country still suffered the highest inflation rates in Latin America from 1996 to 1999, and will likely do so again in 2000.

Beginning in February 1999, the sucre floated freely against the U.S. dollar and other foreign currencies. Until it let free the market price of the sucre, the Central Bank had managed the currency float within a pre-announced band. The Bank regularly increased short-term interest rates and sold foreign reserves to limit the sucre's depreciation (and thereby help control inflation). From February 1999 to early January 2000, the sucre fell from 7,400 to nearly 30,000 to the dollar before being fixed at 25,000 to the dollar under President Mahuad's dollarization scheme.

#### Relations with International Financial Institutions

The March 1994 two-year stand-by arrangement with the International Monetary Fund (IMF) opened the door for multilateral program lending and the foreign commercial debt settlement. The program was abandoned following the economic shocks of 1995 and Ecuador's failure to meet its targets. Like the Bucaram administration before it, the Alarcon administration sought a new agreement with the IMF to support a rescheduling of arrears on official debts with the Paris Club. However, the IMF declined to pursue a program with the Alarcon administration absent a number of "prior actions" by the government, such as reducing state subsidies for cooking gas and electricity, progress toward privatizing state-owned enterprises, and taking meaningful measures to close the fiscal deficit.

The Noboa Administration intensified negotiations with the IMF for an estimated USD 400 million stand by program, and agreement was finally reached in April 2000 on a one-year program.

### **B. PRINCIPAL GROWTH SECTORS**

#### Petroleum and Mining

Under the constitution, all subsurface resources are property of the state. Petroleum is the basis for Ecuador's external economy, with average production of 236,000 barrels per day accounting for 12 percent of GDP. Exports of 85 million barrels of crude and 13.7 million barrels of refined products earned USD 1.5 billion, up from USD 924.2 million in 1998. The price of Ecuadorian crude averaged USD 15.50 in 1999. As of July 2000, it is close to USD 26.3 per barrel. Although the government technically allows the free retail pricing of gasoline, wholesale margin controls effectively set the pump price.

Three quarters of crude production comes from fields in the Amazon basin originally developed by Texaco and now operated by Petroecuador, the state oil company. Of remaining proven reserves of 21 billion barrels, 3.5 billion can be extracted using current methods and 11 billion could be extracted using advanced technology. Private oil companies (e.g., Occidental, Oryx, YPF Ecuador) operating under service and participation contracts have brought new fields on line and production could increase further with the construction of a new oil pipeline.

Oil producers in the Oriente rely on the Trans-Ecuadorian Oil Pipeline, with a nominal capacity of 325,000 barrels per day to move crude to the oil terminal at the port of Esmeraldas. Due to the capacity limits of the pipeline, the volume of crude evacuation by private contractors is being rationed. A "build-operate-transfer" concession to build a second pipeline for heavy crude was given to five foreign oil companies in early 1999, but the terms are still under negotiation with the government. It is hoped the project will begin by the Fall of 2000.

Since Ecuador's oil concessions are largely located in the ecologically fragile Amazon rain forest, developments in the sector are of keen interest to the international environmental community. The government has incorporated environmental criteria and requirements into the licensing process.

Ecuador has extensive, but underdeveloped, gold and other mining potential. The government has sent draft changes in the mining law to the Congress in an attempt to improve the investment climate in this sector.

### Agriculture and Fishing

Ecuador is largely an agricultural country blessed with an abundance of rich, well-watered land and a mild climate. The peasant and commercial farmers of the Sierra raise grains, vegetables, and livestock for domestic consumption and are developing the agroexport potential of cut flower and winter vegetable production. The coastal lowlands produce bananas, shrimp, coffee, cocoa, rice, and fruits for export. The 1994 Agrarian Development Law has improved the security of rural property rights, a necessary condition for increased investment. Agriculture, fishing, livestock and forestry contributed 11 percent of Ecuador's GDP in 1999.

Ecuador was the world's leading banana exporter in 1999, selling USD 954.4 million. Raw and processed coffee export earnings hit USD 56.9 million in 1999 during the global coffee recession. Raw and processed cocoa USD 63.9 million in 1999. Cut flower production in the rural Sierra continued to expand, with exports worth USD 180.4 million in 1999.

Shrimp is Ecuador's second largest export earner. Shrimp exports fell from USD 853 in 1998 to USD 607.1 million in 1999. Over the longer term, the illegal clearing of Ecuador's mangrove swamps to build new shrimp ponds is destroying habitat wild shrimp need to breed, threatening to create shortages of disease-resistant larva for the pond industry. The industry has also been hard hit by disease, especially white spot and yellow head.

The export value of fresh and frozen fish rose by 27 percent to USD 274 million, with tuna exports and other fish exports starting to recover from the collapse of previous years. Most seafood exports declined in 1999 because of El Niño and the general economic recession of the country.



## Manufacturing, Construction, and Utilities

Ecuador's industries have traditionally been divided among processors of primary exports (oil derivatives, cacao, coffee, canned tuna, fishmeal) and producers for the domestic consumer market (food products, automobiles, pharmaceuticals, textiles). In spite of complaints, domestic manufacturers have adjusted well to the dramatic reduction in import duties and the creation of a free trade area with Colombia and Venezuela.

Overall, the non-oil manufacturing sector accounted for 8 percent of GDP in 1999. Manufactured export value was down less than one percent during the first quarter of 1999. The construction sector suffered in late 1998 and early 1999 due to higher interest rates. The public utility sector (electricity, gas, and water) grew by 40 percent in 1999.

## Services

The private and public services sectors expanded by 34 percent in 1999 to contribute 17 percent of GDP. Commerce, traditionally the largest service sector, grew 19 percent in 1999. The transport and communications sectors grew 10 percent of GDP in 1999. Financial services grew 6 percent in 1999. Franchising continues to grow strongly.

## C. GOVERNMENT ROLE IN THE ECONOMY

The Ecuadorian economy is largely owned and managed by the private sector, but the state has long played a significant economic role, characterized by bureaucratic regulation, unproductive subsidies, and state ownership of "strategic" economic assets. Total public sector expenditure is 29.8 percent of GDP. About one fourth of the formal sector work force is employed by the central government. In recent years, there have been tentative moves toward reducing the state's role as player in -- and controller of -- the economy, while strengthening its ability to effectively finance needed social services and enforce the economic rules of the game.

## Structural Reform and Privatization

Ecuador has been slow to embrace the market-oriented reforms that have taken place elsewhere in Latin America. Although some progress was made on trade liberalization and monetary policy reforms in the early 1990's, recent administrations have not capitalized on these reforms. In addition, fundamental structural changes needed to attract investment and spur growth have not been implemented despite new laws allowing greater private participation in the oil sector, privatization of shares in state companies, and banking modernization. A key telecommunications privatization law was enacted in 1995. The Noboa administration again plans to put Ecuador's telecommunications assets on sale in the year 2001.

In early 2000 a new law was passed which included important elements in order to allow for privatization/modernization in the electrical, telecommunications and petroleum

sectors. Sale of the Government's electrical distribution companies is planned by the fall of 2000, with the sale of the generation and transmission facilities in early 2001.

Despite some brief discussions, there have been no serious proposals to privatize the large complex of companies owned by the military. Proposals to allow private pension funds have met stiff opposition from the bankrupt Social Security Institute. The effort to overhaul the deteriorating educational system to enable Ecuadorians to compete in the global economy remains in the discussion stage. The Mahuad government tried to institute new privatization initiatives, most recently in July 1999, but was rebuffed by Congress.

### Industrial Policies

The maximum corporate tax rate is 15 percent on net income (with maximum rates of 25 percent for financial institutions and oil exploration/development). The Ecuadorian government has largely abandoned formal industrial promotion policies characterized by tax breaks, subsidized credit, and protection from foreign competition. Some tax incentives in the fishing industry and for agricultural industrial investment still exist. Free trade zones and "maquila" procedures allow companies to import goods duty-free for processing and re-export, though use of these zones and procedures is not widespread.

## **D. BALANCE OF PAYMENTS SITUATION**

### Trade and the Current Account

Ecuador experienced a current account deficit of USD 2.2 billion or 16 percent of GDP in 1998 compared to 4 percent of GDP in 1997. The 1999 current account deficit should improve, however, as Ecuador's contracting economy causes imports to drop sharply and as exports rise due to increased international oil prices and a depreciating sucre. Ecuadorian exports totaled USD 4,451 million (FOB) in 1999 while imports were USD 3,017 million (CIF) in 1999.

During 1999, the United States maintained its position as both the primary market for Ecuadorian exports and the key supplier of Ecuador's import needs. The United States purchased 39 percent of Ecuador's exports in 1999, worth USD 1.7 billion. The United States provides markets for Ecuador's crude oil exports, shrimp, bananas, coffee, and cut flowers. Other major Ecuadorian exports to the United States include fish, cocoa, sugar, plywood, and gold.

Purchases by Ecuador from the United States decreased 55 percent in 1999 to USD 919 million on a CIF basis, as the United States supplied 31 percent of Ecuador's total CIF imports. Major American sales to Ecuador included paper products (including kraft paper for banana packing), construction equipment parts, electric generators, wheat, plastics, turbines, computers, corn, motor vehicles and parts, cotton, petroleum gases and oils, fertilizers and pesticides, telecommunications equipment, tire cord, pumps, domestic appliances and refrigeration equipment.

Ecuador's eight largest non-U.S. suppliers are Colombia, Venezuela, Japan, Mexico, Germany, Brazil, and Spain, which together enjoy a 41 percent share of the Ecuadorian import market. Ecuador has free trade agreements with Colombia, Venezuela, and Chile, and obtained 23 percent of its imports from those countries in 1999 up from 19 percent in 1998. In January 1995, Ecuador instituted a common external tariff system with Colombia and Venezuela. Ecuador joined the World Trade Organization (WTO) in January 1996, but has failed to meet a number of its accession commitments.

### Capital Account and Foreign Reserves

Ecuador's capital account deficit of USD 382 million at the end of 1999, was caused in part by "other capital" outflows of USD 497 million, reflecting the unrecorded flight of private capital and payments for undocumented imports. Direct investment, including investments by oil exploration and development contractors, fell USD 195 million in 1999 to USD 636 million. Ecuador ran relatively large arrears in 1998, which could grow in 1999 as a means of balance of payment financing. Capital flight and continued economic uncertainty will continue to make the capital account outlook problematic in 2000. Over the longer term, Ecuador will need to restructure its debt stock and greatly increase foreign investment flows to maintain a healthy balance of payments situation. Ecuador's net foreign exchange reserves at the end of 1999 stood at USD 1,276 billion, enough to cover about 3-1/2 months of imports.

### External Debt

The stock of public external debt amounted to USD 13.37 billion at the end of 1999 (about 100 percent of GDP. Given the depreciation of the sucre in 1999, the debt to GDP ratio increased dramatically that year). Private external debt at the end of 1999 was about 2.53 billion. Debt held in Brady bonds account for USD 6.2 billion of Ecuador's foreign debt, .92 billion for Eurobonds and others, while international organizations, such as the World Bank and the Interamerican Development Bank, are owed USD 3.65 billion. Sovereign debt held by foreign governments amounts to USD 2.6 billion, including USD 1.2 billion to Paris Club members.

Excessive foreign and domestic borrowing during the oil boom of the 1970's and the 1990's, weak economic performance in the 1980's, and the accumulation of arrears between 1987 and 1999 have raised Ecuador's total external public debt stock to over 90 percent of annual GDP as measured in U.S. dollars by mid-1999. Debt servicing payments account for some 40 percent of central government expenditures, and the GOE is under increasing political pressure to ease Ecuador's debt burden, especially payments to foreign creditors. The GOE plans to approach the Paris Club to reschedule its sovereign debt now that it has secured a stand by agreement with the International Monetary Fund.

## **E. INFRASTRUCTURE**

### Transportation

The two international airports in Quito and Guayaquil are serviced by several major carriers, including American and Continental, and several U.S. air cargo companies. Ecuador's TAME airlines (owned and operated by the Air Force) provides connections within the country and abroad. The Government plans to bid out concessions for the construction of new airports within the next five years.

The containerized port of Guayaquil handles most of the country's imports and exports. The port is fully utilized, with ship turnaround times typically taking five days. The main oil terminal is located at Esmeraldas on the north coast. On the central coast, Manta handles much of Ecuador's cocoa and coffee exports as well as almost all tuna exports. Machala's Puerto Bolivar on the south coast is the major banana port. A resumption of the customs modernization program procedures and privatization of cargo services would help improve the efficiency of Ecuador's ports.

Ecuador has an extensive system of all-weather roads linking populated parts of the country. While there are projects for expanding the road system in sparsely populated regions, repairing existing roads damaged by El Niño, as well as maintenance and widening of other roadways, is of greater urgency. Granting concessions for road building and maintenance to the private sector should increase over the next several years, especially if Ecuador receives large capital flows from international financial institutions resulting from the IMF program. Subsidized urban, intercity, and rural bus service is available throughout the country. Trucking companies move almost all of the in-country freight. Goods must be moved by national carriers when crossing the border with other members of the Andean Pact. The railroad system has been largely inoperative for the past decade, following damage by a major earthquake, and any rehabilitation will have to be financed by the private sector.

### Telecommunications

While telecommunications has improved over the last few years, the basic telephone services are still poor with a teledensity of 7-8 lines per 100 people, one of the lowest in Latin America. State-owned Andinatel and Pacifictel provide basic telephone services, while two private companies, Bell South and Porta (Concel), provide cellular telephone services. Call back and bypass services are illegal. Domestic and international dialing is available, although the completion rate is poor. Domestic telephone rates are still subsidized by international telephone rates. Satellite and value-added services are provided by the private sector including trunking, paging, internet, and data transmission services. The Ecuadorian Government will try again to privatize the state telephone companies in year 2001. An investment bank will be contracted for the valuation and sales promotion of Andinatel and Pacifictel to private telephone operators.

### Electric Power

Ecuador has an installed electricity generating capacity of 3,000 megawatts (MW), with an effective capacity of 2,210 MW after transmission, plus some 300 MW in new thermal

capacity installed by the private sector in 1996. Potential demand is 10 percent annually. Hydroelectric power plants, including the 1,075 MW Paute hydro plant, the largest in the country, account for over half of installed capacity and supply three-quarters of the country's current needs. Supplemental thermal power is often required during the dry season. The failure of the government to open the sector to private investment led to severe power shortages when a drought drastically reduced hydroelectric output in the last four years. Although a number of new thermoelectric plants have been opened, there is still an estimated power deficit of 120-150 MW.

As part of the privatization process, the state electrification agency has been eliminated. Sale of the companies is planned for late 2000 to early 2001, six corporations in charge of electric generation and transmission have been established. The existing 18 electric utilities will be grouped in for regional blocks.

Electricity rates have been increased substantially and there has been a reduction in the cross-subsidization of low volume residential electricity users with higher commercial rates. Currently one private firm, EMELEC, provides distribution and one generating services in Guayaquil. Several private companies operate thermal plants.

There is currently no natural gas market in Ecuador, although that could change once gas fields in the Gulf of Guayaquil and the Oriente are developed. The Gulf of Guayaquil gas project should be on line by the end of 2001. Highly-subsidized liquefied petroleum gas (LPG) is the most common cooking fuel and large quantities have to be imported to meet demand.

### Water and Irrigation

Ecuador's surface and subsurface water resources are administered by the National Council of Hydric Resources. Urban water supplies are provided by municipally-owned water utilities, while the Ministry of Urban Development and Housing provides technical assistance to rural municipalities and water boards. Several large-scale, highly-subsidized flood control and irrigation schemes are run by regional bodies such as the Comision Ecuatoriana para el Desarrollo de la Cuenca del Rio Guayas (Guayas River Basin Development Commission-CEDEGE) in the Guayas basin, the Centro de Rehabilitacion de Manabi (Manabi Rehabilitation Center-CRM) in Manabi, and the Centro de Reconversion Economica del Azuay, Canar y Morona Santiago (Economic Reconversion Center for Azuay, Canar and Morona Santiago-CREA) and the Programa Regional de Desarrollo del Sur del Ecuador (Regional Program for the Development of Southern Ecuador-PREDESUR). In addition, the CRM administers and operates the provision of potable water in Manabi, entrusting sewage services to the municipalities. There are proposals to expand municipal water and sewage availability through private sector concessions.

## **CHAPTER III: POLITICAL ENVIRONMENT**

### **A. NATURE OF POLITICAL RELATIONSHIP WITH THE UNITED STATES**

Ecuador and the United States enjoy an excellent relationship based on shared democratic values and economic interests. Many Ecuadorian government and business leaders have been educated in the U.S. The U.S. continues to support Ecuadorian efforts to strengthen the country's democratic institutions, which have faced many difficult challenges over the past 21 years of democratic rule, including, most recently, in January 2000. On January 21, former President Jamil Mahuad was ousted by protesters and military insurrectionists and, after hours of uncertainty, was replaced by then-Vice-President Gustavo Noboa.

As one of the four guarantor nations of the Rio Protocol of 1942 between Ecuador and Peru, the United States played an important role in bringing that long border conflict to a successful conclusion with the signing of the October 1998 peace agreement. The U.S. has been active, since then, in efforts to cement the peace accord. To that end, it has assisted in the de-mining of the former area of conflict and worked with other donors to support social welfare and economic development projects in the border area.

Ecuador is a transit country for cocaine smuggling and money laundering by criminal organizations based in Colombia and Peru but has so far avoided large-scale drug-related violence and corruption. With assistance from the U.S., the Ecuadorian government participates in the international campaign against drug trafficking and, in November 1999, agreed to establish the first Forward Operating Location (FOL) to support regional anti-drug efforts from the Ecuadorian airbase at Manta.

The U.S. is Ecuador's largest trading partner, providing the major market for its top exports and serving as the major foreign supplier of both consumer and capital goods. The U.S. has provided Ecuador with alternative trade opportunities under the Andean Trade Preferences Act. American oil companies have been leading players in the development of Ecuador's petroleum industry. Ecuador's economic reforms have helped further expand trade and investment ties and received strong support from the United States. However, the failure of the Ecuadorian government to comply with some of its WTO accession commitments and provide fair treatment to certain U.S. investors has led to occasional friction in the bilateral commercial relationship. Increasing Ecuadorian concern for the environment, including the unique Galapagos Islands ecosystem, and U.S. interest in preserving the country's tremendous biodiversity, form an area for bilateral cooperation. In 1998, Ecuador approved landmark legislation to strengthen protection of the Galapagos Islands and, in 1999, issued implementing regulations, although Galapagos protection remains underfunded.

### **B. MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE**

Ecuador continues to struggle with its worst economic crisis in 70 years. The government's efforts to maintain macroeconomic stability, provide social services and modernize the state bureaucracy are the major political issues affecting the Ecuadorian

business climate. The successful resolution of the border dispute with Peru greatly lessened Ecuador's external threat, but the dangers posed by narco-guerrillas and paramilitary groups on its northern border with Colombia remain.

Despite economic reforms in recent years, including landmark legislation approved in April, 2000, Ecuador's economy remains under great pressure. A financial sector crisis beginning in 1998 led to a bank "holiday" in 1999 and a government decision to freeze bank deposits. In the fall of 1999, Ecuador ceased paying much of its foreign and domestic debt. Suffering from capital flight, soaring interest rates, steep devaluation, and the highest inflation in the hemisphere, the Government decided in January 2000 to abandon Ecuador's currency in favor of the dollar. Many Ecuadorians still do not understand why the country cannot afford to continue massive subsidies and increase salaries in the current climate, nor why Ecuador must renegotiate and pay its creditors. Public sector unions, some political parties and some elements in the military vigorously oppose reform and privatization of state companies. Some indigenous peasants fear that free market agrarian policies threaten their economic and cultural survival. Political protests against reform are a staple of Ecuadorian life. Increased political involvement by indigenous leaders led to their widespread victories in the May 2000 local elections which may open the way to a more balanced view of economic development and reform.

Despite the severity of the economic crisis, many mainstream political leaders and business elites agree on the need for economic modernization and policies that will encourage private sector participation in the state-run enterprises. Over the longer run, only sustained economic growth can convince average Ecuadorians that their living standard will improve from economic reform. That, in turn, is needed to prevent a shift back to state intervention in the economy that could cause deterioration of the business climate.

### **C. ECUADOR'S POLITICAL SYSTEM**

Following two decades of political instability and reformist military rule in the 1970's, civilian government was re-instituted in Ecuador in 1979. Since then, the country has enjoyed six consecutive free elections and peaceful transfers of power, but in both 1997 and 2000 elected Presidents were forced from office. The quasi-constitutional removal of President Bucaram from office by Congress in February 1997 was accomplished after peaceful protests forced him from the Presidential Palace and was later approved in a nationwide referendum. Again on January 21, 2000, a group of indigenous and military protesters occupied the National Congress, marched on the Presidential Palace, and -- after the Armed Forces refused to protect then-President Mahuad -- Mahuad abandoned the Palace. The protesters proclaimed that Ecuador would be governed by a civil-military Triumvirate, which was dissolved within hours and replaced by then-Vice-President Noboa (who was Mahuad's constitutional successor). Congress voted on January 22 to recognize Noboa as President after Mahuad himself announced that he would not stand in the way of Noboa's accession to power.

Since civilian rule was re-established, a pattern has emerged in which administrations of the center-left alternate with those of the center-right as the electorate searches for ways to make necessary economic changes at minimal social cost. Ecuador's elite is divided along regional, ideological, and personal lines, and has not found the means to complete needed economic and governmental reforms, despite repeated, partial adjustments that have spawned social protests. Ironically, Ecuador's peace agreement with Peru at the end of 1998 seems to have exacerbated its fractious internal tendencies in the short run. Under the Noboa administration there have been frequent bitter clashes among the executive, legislative and judicial branches of government, particularly on matters involving the public budget, banking and presidential appointments. Despite two decades of civilian rule, Ecuador's political institutions remain fragile.

President Noboa, who moved up from Vice-President to replace former President Mahuad in January 2000, will serve until January 2003. Noboa is not a member of a political party and depends on the votes of several parties in Congress in order to pass needed economic and governmental reforms. His main supporters have been the Popular Democratic Party (DP) of former President Mahuad and the coastal-based Social Christian Party (PSC), but he has won votes from other factions on individual issues, including tax reform. In 2000, he faces the difficult task of sustaining political support for reform in the face of growing social tension as the Government attempts to restore economic growth while reining in the fiscal deficits that have plagued Ecuador in recent years.

The newly revised Ecuadorian constitution of August 11, 1998 grants wide powers to an executive president who serves a four-year term with no immediate reelection. Members of the 123-person Congress are elected every four years by voters in the 22 provinces. Under the 1998 Constitution, Ecuador is a unitary state with a republican, presidential, elective and representative government. The executive branch currently consists of the president, vice president, ministers of state and their subordinate officials. Although it has little control over the public budget and can no longer remove cabinet ministers from office, Congress can block the executive's initiatives and can censure officials. Party rivalries and factionalism traditionally make it difficult to pass legislation, particularly in election years.

A wide variety of independent agencies and state-owned companies receive only limited oversight from the government and Congress. The Ecuadorian Armed forces are partly self-funded through a reported dedicated share of petroleum revenues and a network of military-owned enterprises. The military enjoys significant autonomy over its own affairs and, in remote areas of the country, the military often provides the principal government presence.

Increasingly, the Armed Forces have been enlisted to perform a law and order function, as was the case when a State of Emergency was declared in Guayas province at the beginning of 1999. In addition, some members of the Armed Forces have responded to political and social tensions in ways that undermined democratic stability. The military insurrectionists' support for the January 2000 Triumvirate, and the Armed Forces



Commanders' refusal to protect President Mahuad from protesters, precipitated Mahuad's ouster and disclosed deep fissures in the military. Following the departure and retirement of those commanders and congressional approval of amnesty, the military imposed sanctions on some officers involved, but tensions remain.

The National Police falls under the Ministry of Government. The judiciary is independent but suffers from politicization and inefficiency. An entirely new Supreme Court was elected in 1997 in a new process intended to insulate the selection from political horse-trading. Despite continued criticism, that Court is more respected than its predecessor was and has begun a process intended to improve the quality of justice for lower court judges and to increase attention to charges of judicial misconduct. Provincial and municipal governments are locally elected but dependent on the central government for nearly all their funding. As a consequence of the economic crisis, there have been increased calls for decentralization and for more local autonomy, especially on the coast.

### The Political Groupings

The DP party and the Democratic Left (ID) are Ecuador's principal Sierra-based center and center-left parties. The DP emerged from the 1998 elections with the largest block in Congress (33 seats), while the ID won 17 seats. Since the 1981-1984 presidency of Osvaldo Hurtado, the DP has been moving toward the pragmatic center, but the party suffered a sharp setback in May 2000 local elections following Mahuad's ouster from office in January and widespread criticism of Mahuad's 17-month administration. Juan Jose Pons, a DP Congressman from the coast, is the DP's most prominent member of Congress and is President of that body. He will be replaced as its President in August 2000 by a member of the PSC.

Retired General Paco Moncayo was the ID bloc leader in Congress, until expelled from that body together with another ID member, Rene Yandun, a fellow retired General, after both announced their resignations in support of the January 21 protests that ousted Mahuad. (In May, 2000, Moncayo was elected Mayor of Quito and Yandun Prefect of Carchi Province in local elections that saw the ID gain substantial ground in the Sierra.) Former President Rodrigo Borja is the ideological head of the ID and maintains a high public profile. He could again be a candidate for the presidency. During his 1988-1992 administration, the social democratic ID defended a broad economic role for the state, but failed to improve public services or state enterprise efficiency.

The PSC is the country's second largest political grouping, having won control of 28 seats in Congress in the May 31, 1998 election. Jaime Nebot, who lost in the second round of the 1996 presidential election to Bucaram, was elected as a national congressman in 1998 and was the PSC's bloc leader before abandoning his seat to run successfully for Mayor of Guayaquil (he was elected in May, 2000 to that position). The PSC is a center-right, pro-business party with a strong populist streak. Although the party supports economic liberalization and privatization, it has also favored subsidies to business and broad-focus social programs. The PSC has a nation-wide organization but is strongest on the coast, where Nebot will replace as Mayor the former President and PSC stalwart Leon Febres-

Cordero. Febres-Cordero's 1984-1988 presidency failed to deliver economic reform, but the Social Christians in Congress have generally supported modernization initiatives. The Noboa government seeks PSC support in Congress in order to continue its efforts to promote economic and political reform. In return, the Guayaquil-based PSC presses for measures benefiting the city of Guayaquil and its business supporters.

The Partido Rodolsista Ecuatoriano (PRE) party won 22 seats in the 1998 congressional elections. Its presidential candidate, Alvaro Noboa, was narrowly defeated in the July 12 run-off election against Jamil Mahuad. Previously, the PRE's populist leader Abdala Bucaram won the 1996 presidential election and served from August 1996 until being forced from office in February 1997. In June 2000, PRE support was crucial in congressional approval of amnesty for those involved in the ouster of President Mahuad.

Other congressional leaders include former President of Ecuador (1992-1996) Sixto Duran-Ballen, a conservative American-educated architect who took a number of tentative steps towards strengthening public finances and laying the groundwork for structural reforms. In 1998, with former President Duran-Ballen leading the party ticket, the PCE won three seats.

The indigenous-labor union alliance known as Pachakutik emerged as a force in 1996 when it won 10 percent of then 80-person chamber with votes from the heavily indigenous Sierra and Amazon provinces. In 1998, Pachakutik won only four seats in the larger (123-member) new congress, but frequently is supported by four other independent votes there. In May 2000, Pachakutik scored impressive gains in local elections, winning several provincial prefectures for the first time and several mid-sized municipalities. Nina Pacari, second Vice President of Congress and a strong advocate of indigenous rights in Ecuador, is the most prominent Pachakutik leader.

On the far left, the Popular Democratic Movement (MPD), a party with Maoist communist roots, won 2 seats in 1998. It dominates several public sector unions, including the teachers union, UNE. MPD leaders lead anti-government protests seeking to raise wages, guarantee employment, and stop needed reforms. In 1998, the MPD polled only 2 percent of the presidential vote, but MPD candidates in the May 2000 local elections fared better than in 1996, helped by the profound economic crisis.

A May 2000 firefight in northeastern Ecuador between the Army and a group styling itself as the Revolutionary Armed Forces of Ecuador (FARE) raised fears, but Government authorities describe the group as criminals, not guerillas. Over the past year, package bombs (one causing serious injury to a journalist) and several pamphlet bombs have increased concerns of political violence. In the past, subversive groups enjoyed no popular support and posed little threat to the country's security, but there is growing concern that the profound economic and social crisis may be creating a climate conducive to political violence.

## **CHAPTER IV: MARKETING U.S. PRODUCTS AND SERVICES**

### **A. DISTRIBUTION AND SALES CHANNELS**

A local agent or representative is necessary in order to sell successfully in Ecuador and is legally required for sales to the government. Ecuadorian buyers prefer to purchase directly from the manufacturer. For sales of machinery and equipment, a key factor is the availability of parts and service from the local distributor or agent.

Quito and Guayaquil are the major distribution centers for imported products. Manta and Cuenca are the third and fourth largest centers respectively. Santo Domingo de los Colorados constitutes the fifth largest center. The majority of distributors cover the whole country and use their own sales force. Many have branches and warehouses in the major cities.

Options for distribution in Ecuador include:

#### **Distributors**

These are commonly medium-to large-sized firms representing foreign companies and importing large quantities of products for wholesale distribution. Firms maintain large stocks and place orders for direct delivery to customers.

#### **Commissioned Agents**

These are usually specialized firms or individuals who take orders in Ecuador for foreign goods by means of a well-trained and experienced sales force. The agents are paid a commission by the U.S. company filling these orders. Occasionally, agents may import goods with their own funds for resale.

#### **Direct Importers**

Direct importers are generally large manufacturing companies and government agencies purchasing equipment or materials for their own use. Purchases are normally made directly from the manufacturer.

### **B. USE OF AGENTS AND DISTRIBUTORS**

#### **The Principal Agent Relationship**

When appointing a local distributor, U.S. firms should seek counsel from an Ecuadorian law firm to ensure that their distribution agreements give them appropriate protection. It is advisable to appoint non-exclusive representatives for a limited period of time, and to include an arbitration clause as a means to resolve any disputes which may arise.

#### **Finding a Partner**

American firms have many options, including the use of the U.S. Commercial Service of the American Embassy, which offers a customized search program. Other sources include local lawyers, consultants, and banks.

### **C. FRANCHISING**

During the past four years, the use of franchising has increased in Ecuador. There are no specific laws that regulate franchising, except for some legal specifications established under Decision 291 of the Cartagena Agreement. Franchising is mainly governed by the Commercial Code, the Civil Code, the Companies' Law, and the Intellectual Property Law. Franchising is considered as a private negotiation between two or more private entities. The Commercial Code indicates that the commissioned merchant or agent is obligated directly and personally for his/her own franchise as if the business were entirely theirs. The principal and the agent are totally independent even with respect to legal action, except for the rights and obligations as indicated by their mutual commission contract and the Civil and Commercial Codes.

### **D. DIRECT MARKETING**

Direct marketing is still limited, but it is increasing, mainly on local and cable television, where products are advertised for sale and telephone contact points are named in multiple countries in Latin America. A local company stocks products and fills orders, which are often delivered to the home. Consumer goods, electrical appliances, and physical fitness products are primarily advertised.

### **E. JOINT VENTURES AND LICENSING**

#### **Joint Ventures**

Two or more parties may enter into a contract to carry out a particular business activity. No obligation exists to record this contract in the Mercantile Register. According to the provisions of the Companies Law, a joint venture may be considered as an association or a participation account.

Under the Companies Law, a business entity may give others (associates) the right to participate in its business, but the rights are limited to obtaining information on the funds contributed, the profits made, or losses incurred. Associates are not liable to third parties. If the business enters bankruptcy, they are liable only for their share of the investment. All other matters are regulated by the terms of the contract of association.

In Ecuador this type of joint venture occurs primarily when foreign corporations are contracted as associates to carry out specific projects with government entities. It is normal for foreign corporations entering into this type of agreement to set up branches.

#### **Licenses**

In Ecuador, the Intellectual Property Rights Law governs licenses, patents and trademarks. Licenses are also governed by Decision 344 of the Cartagena Agreement and the Patents, Trademarks and Licenses Law. The contracts for license of trade marks, patents, patterns for usage, industrial designs and commercial names and logos must be registered at the Ecuadorian Institute of Intellectual Property (IEPI). The contracts for the transfer of technology must be registered at the same Institute, but when they are considered as foreign investment, they must also be registered at the Banco Central del Ecuador and at the Ministry of Foreign Trade, Industrialization and Fisheries (MICIP).

The notarized contract that permits the use of specific brands and a request signed by a lawyer in order to register the requested brands must be presented to IEPI at the following address: Av. Eloy Alfaro y Amazonas, P. 1, Quito, Ecuador, Tel: 593/2/551-612, Fax: 593/2/507-549; 562-258. Contact: Jose Villena, Industrial Property Director. Licenses are granted within six months of their request. Contracts for the transfer of technology which have foreign investment must also be registered at the Central Bank of Ecuador and at MICIP's Investment Department.

## **F. STEPS TO ESTABLISHING AN OFFICE**

The procedure for establishing an office is usually entrusted to local lawyers, international accounting firms, and professional advisers. Costs vary depending on the size of the company's capital share. Foreigners may own 100 percent of an Ecuadorian enterprise in most sectors.

Foreign investors starting up a business in Ecuador prefer corporations and branches. Other forms are: limited liability; partnerships; and mixed economy companies. Corporations, branches, limited liability companies and mixed economy companies are registered with and controlled by the Superintendency of Companies and governed by the Companies Law. The legal representative may either be Ecuadorian or third country national with an Ecuadorian resident visa.

### **Corporations**

Corporations are the most flexible form of entity, allowing a mixture of foreign and local capital. Private limited companies are useful as closed companies, but have disadvantages regarding the sale and transfer of capital, and are not usually advantageous to the foreign investor. The corporation offers the same major advantages to investors as the corporate form does in other countries, including (1) the limitation of shareholders' liability to the amount invested; (2) shareholders are free to negotiate their stock without restrictions; (3) corporations are represented by managers who may be discharged at any time; and (4) continuity of the business as an ongoing concern is assured regardless of death or changes in management or ownership.

**Formation of a Corporation:** The formation of corporations and their operations are governed by the Companies Law. The documents that must accompany the contract or

deed of incorporation are the company's by-laws and other documents that prove the payment of certain taxes. The company's name must not be similar to that of an existing company. To guarantee protection of the trade name, it should be registered with the Ecuadorian Industrial Property Institution (IEPI).

**Capital of a Corporation:** The capital must be included in the by-laws and its amount results from multiplying the shares by their par value. Capital may consist of (1) authorized capital, that is, as stated in the by-laws; (2) subscribed capital which the stockholders are required to pay in; or (3) paid-in capital. The minimum capital for this type of corporation is USD 800.

Companies must file an annual return with the Superintendency of Companies containing the financial statements and other relevant information, as well as the reports of the legal representative, the corporate comptroller and the external auditors. Companies controlled by the Superintendency of Banks are obligated to publish their June and December financial statements in a local newspaper.

#### Branches

To establish a branch in Ecuador, a foreign company must provide (1) proof that the company has been legally established in its country of origin; (2) proof that according to the laws of its country of origin, the company can establish branches and has the ability to negotiate abroad; (3) a permanent legal representative in Ecuador; and (4) assigned capital of no less than USD 2,000.

The documentation should be presented to the Superintendency of Companies, along with a certificate issued by the Ecuadorian Consul nearest the foreign company's head office certifying the establishment and legality of the company in its country of origin and that it is authorized to do business abroad.

#### Limited Liability Companies

This type of corporate form closely resembles a limited partnership, and is suitable for that type of operation. A limited liability company is characterized by (1) having 3 or more members, not to exceed 15; (2) the members have limited liability for the corporate obligations up to the amount of their individual contribution; (3) foreign corporations are excluded from membership; (4) the capital cannot be less than USD 400, and at least 50 percent of the capital must be paid in at the time of formation and the remainder within one year; and (5) a legal reserve must be set by transfer of 5 percent of annual profits until the reserve equals 20 percent of capital.

#### Mixed Economy Company

Another type of firm is the "mixed economy" company in which both private and public capital are used. The public sector funds may come from the state, municipal, provincial governments and judicial representatives of both the public or parastatal sectors.

## **G. SELLING FACTORS AND TECHNIQUES**

Most U.S. products do not require any changes to be readily acceptable. Price competitiveness is a very important sales factor. U.S. firms selling high-tech products must provide training and maintenance support to their distributors and agents. Local distributors expect their foreign suppliers to underwrite sales promotion, support and training. Sales materials should be in Spanish.

Since June 1996 Ecuador has been using a new invoicing system. Through this system, sales receipts (sales slips, commercial invoices, bank credit notes, etc.) must be submitted for any transaction over USD 4.

## **H. ADVERTISING AND TRADE PROMOTION**

### **Advertising**

The advertising market and the media in Ecuador are centered in Quito, Guayaquil and Cuenca. The principal means of advertising in Ecuador is through television. There are 5 national TV networks: Ecuavisa, Teleamazonas, Gamavision, Telesistema and TC Television; 4 cable television networks: Direct TV, Univisa, TV Cable, Cablevision which show programs from the U.S. and Europe, and a number of local stations in the larger cities. There are an estimated 1.6 million sets and 6.4 million viewers.

Newspapers are the second most important advertising media. There are 5 newspapers with nationwide circulation: El Universo (140,000; weekends 240,000); El Comercio (70,000; weekends 90,000); Hoy (25,000; weekends 27,000); El Telegrafo (8,000; weekends 12,000) and Expreso (14,000; weekends 18,000). El Comercio is the most important paper in Quito and the surrounding highlands, and El Universo is the key newspaper for Guayaquil and the Coast.

A third advertising medium is radio. There are approximately 473 radio stations, including medium wave, short wave and FM, broadcasting to approximately 8 million daily listeners. There are an estimated 6.5 million radio sets in Ecuador. Radio is very important in terms of penetrating to suburban areas.

### **Trade Promotion**

The Commercial Service provides a full range of trade promotion services for U.S. exporters. For detailed information, please contact the Commercial Service at the U.S. Embassy in Quito, Tel: 593/2/561-404 or 505-752; Fax: 593/2/504-550, or at the American Consulate General in Guayaquil, Tel: 593/4/329-160; Fax: 593/4/324-558.

## **I. PRODUCT PRICING**

With the exception of pharmaceuticals, no imported products are subject to price controls. As elsewhere, distributors establish prices based on market factors.

## **J. SALES SERVICE AND CUSTOMER SUPPORT**

Very few products are sold in Ecuador with warranties. However, it is extremely important that U.S. companies exporting products to Ecuador which require maintenance and spare parts ensure that their Ecuadorian distributor provides both.

## **K. SELLING TO THE GOVERNMENT**

Government procurement of goods, equipment, and services is regulated by the Public Contracting Law 95 issued in August 1990 and significantly modified through Law No. 112 dated January 28, 1991; Law No. 2 dated September 9, 1992, and Law No. 4 dated March 13, 2000. However, in some instances the military is not required to use this law for its purchases. Foreign bidders in both cases must be legally represented in Ecuador, and when participating in a bid financed by international loans, they must be associated with an Ecuadorian company in order to bid.

Procurement by public invitation involves various steps. The government agency usually inserts announcements in newspapers and trade journals inviting potential suppliers to present bids for specific types of equipment or services desired. Bid documents containing detailed information must be purchased by the interested party. The bids must be completed in Spanish, using the format specified by the inviting agency, and be delivered to the contracting agency in person.

Bidding for government contracts can be cumbersome and competitors from other countries do not operate under the restrictions of the U.S. Foreign Corrupt Practices Act. Under the Public Contracting Law, the government requires either a bank-issued guarantee or an insurance guarantee to cover 5 percent of the contract, to ensure execution of the contract. A guarantee of money advances made by the Government is also required by the supplier. However, when dealing with the military, they do not accept insurance guarantees. Before a Government contract is approved, it must have authorization from both the Comptroller and Attorney General.

Shipments to Ecuadorian government agencies are no longer required to be made via Ecuadorian flag vessels or airlines.

## **L. PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT**

Law 83 and its Regulations govern intellectual and industrial property protection. For further information on IPR protection, see Chapter VII.A3.

## **M. NEED FOR A LOCAL ATTORNEY**



A local attorney or a professional adviser is imperative when setting up a business in Ecuador or in collection matters and trade complaints. The Commercial Service office in Ecuador has lists of lawyers for Quito and Guayaquil.

**N. PERFORMING DUE DILIGENCE/CHECKING BONA FIDES OF  
BANKS/AGENTS CUSTOMERS**

In performing due diligence, U.S. companies should seek the services of a local lawyer. A list of lawyers for Quito and Guayaquil is available at the Commercial Service in the U.S. Embassy, Tel: 593/2/561-404 or 505-752; Fax: 593/2/504-550; and in the U.S. Consulate General, Tel: 593/4/530-908; Fax: 593/4/324-558.

## CHAPTER V: LEADING SECTORS FOR U. S. EXPORTS AND INVESTMENT

### A. BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

1. Sector Rank: 1  
Sector Name: **Electrification**  
ITA Industry Code: ELP

**NARRATIVE:** In spite Ecuador's economic recession during the last three years, electric power generation is expected to grow significantly in the next three years. The market is estimated at USD 300 million. Industry sources foresee over 30 percent growth in each of the next three years.

The sector has experienced dramatic changes as the privatization process has begun with the termination of the state electrification agency; the establishment of seven corporations: six for generation and one for transmission; the consolidation of 18 electric utilities in four major blocks, and the contracting of investment bank Solomon Smith Barney for the valuation and sales promotion of the companies. The privatization process is well under way and bids for the sale of up 51 percent of the state companies is scheduled for October/November of this year. The distribution companies will be ready for sale first; for this purpose, the government is planning a road show by July/August of this year in several cities of the U.S., England, Spain and South America. The generation and transmission companies will be ready for sale in the first quarter of 2001. The opening of the sector will require an estimated investment of USD 3 billion in the long run and will create high demand for electrification, transmission, and distribution equipment.

Ecuador's installed capacity is 3,000 MW, of which at least 60 percent is hydroelectric, and the remaining is thermoelectric. To meet the projected 10 percent annual growth in demand, the country needs to generate 120-150 MW annually. The master electrification plan includes several projects which are in the pipeline: the 230 MW San Francisco; the 180 MW Paute-Mazar; 190 MW Toachi-Pilaton; and the 432 MW Coca-Codo-Sinclair hydroelectric projects; with a combined investment of over USD 800 million, in addition to several thermo plants.

Best prospects for U.S. companies include: thermal and transmission equipment; gas turbines; steam generation; electric generators; transmission lines; cables; and spare parts. The U.S. market in 1999 was estimated at USD 96 million. Other competitors include: Germany; Japan; Spain; Italy; Sweden; and Brazil.

Data Table (Millions of USD dollars):

		1998	1999*	2000*
A.	Total Market Size	211.3	253.4	303.4
B.	Total Local Production	.03	.04	.04
C.	Total Exports	0	0	0

D.	Total Imports	211	253	303
E.	Imports from the U.S.	80	96	115

\*The above statistics are unofficial estimates.

2.	Sector Rank:	2
	Sector Name:	<b>Telecommunications</b>
	ITA Industry Code:	TEL

Narrative: Privatization of the telecommunications sector is expected to take place in year 2001. This process will increase the demand for telecommunications equipment and state of the art technologies. The market is estimated at USD 288 million, with a growth rate of 25 percent in the next three years.

The Ecuadorian Congress approved legislation by which at least 51 percent of the shares of the two government telephone corporations, Andinatel and Pacifictel, will be available for sale to the private sector. An investment bank will be contracted for the valuation and sales promotion of the two companies. Estimated investment in the sector in the long run is over USD 4 billion with an average annual investment of USD 300 million.

Along with privatization, Ecuador has to comply with its WTO telecommunications agreement to liberalize access to and investment in telecommunications service markets. In this context, the Congress also approved legislation to open the sector to free competition; for this purpose, CONATEL-the National Telecommunications Council is drafting pertinent regulations which will be ready in September/October of this year. Basic telephone service is poor and there are only 7-8 telephones per 100 people, representing one of the lowest telephone line densities in Latin America. The demand for telephone lines is over 1.9 million, while there are only close to one million currently in service to serve a population of 12 million people. Private companies provide mobile telecommunications services.

In the next three years, the Ecuadorian telecommunications market is expected to expand and offer business opportunities for U.S. telecommunications service providers and manufactures of telecom equipment for fixed and mobile telecom, including: expansion of telephone lines; public telephony; cellular; satellite; value-added services; PCS; and internet. Best prospects include: cable; fiber optics; switching; and transmission equipment. In 1999, the U.S. market was estimated at USD 93 million. Major competitors are: Spain; France; Germany; Sweden; and Japan.

Data Table( Millions of USD dollars):

		1998	1999*	2000*
A.	Total Market Size	173	231	288
B.	Total Local Production	17	15	18
C.	Total Exports	0	0	0

D.	Total Imports	156	216	270
E.	Imports from the U.S.	74	93	116

\*The above statistics are unofficial estimates.

3.	Sector Rank:	3
	Sector Name:	<b>Plastics Materials/Resins</b>
	ITA Industry Code:	PMR

#### Narrative:

The size of the Ecuadorian industry for plastic materials and resins is expected to reach USD 139 million in 2000. This represents a 24 percent increase over the value of the 1999 market. Industry sources expect a 20% growth through 2003. This industry is experiencing a slow recovery following depressed sales in 1999 due to the country's deep economic crisis in the last 2 years.

The Ecuadorian plastics industry is dominated by U.S. imports. The Ecuadorian plastic materials and resins industry is expected to USD 97 million, of worth materials and resins from the United States in 2000.

The outlook for the plastics sector in the near term (2000-2003) should be promising if the economic situation continues to improve and industrialists develop confidence in the new dollarization system recently adopted.

Upcoming government projects including water and sewage will influence the future growth of the sectors. Over 20 percent of the local plastic industry uses polypropylene as a basic raw material for their manufacturing processes. Approximately 50 percent use high and low-density polyethylene and 20 percent use PVC. Less used are nylon, polyacetals, polyethers, epoxy resins, polyesters and polycarbonates. Two irrigation development projects on the coast will create a further 45,000 ha. of irrigated land by the year 2001. The collateral demand by farmers for PVC pipes to carry water from the irrigation canals to their fields is expected to rise steeply.

The demand for plastic materials and resins is determined by the different manufacturing processes: Best prospects include: PVC, polypropylene and low-density polyethylene.

#### Data Table:

USD Millions	1998	1999	2000
A. Total Market Size:	189	113	139
B. Total Local Production:	-	-	-
C. Total Exports:	N/A	N/A	N/A

D.0	Total Imports:	189	113	139
E.	Imports from the U.S.:	132.3	79.1	97.3

- Figures are unofficial estimates.

4.	Sector Rank:	4
	Sector Name:	<b>Pumps, Valves, and Compressors</b>
	ITA Industry Code:	PVC

#### Narrative:

Following depressed sales in 1998 and 1999, the pumps and valves market in Ecuador registered a 30% growth in the first half of 2000, and is expected to perform similarly in 2001. This growth is expected to follow on the heels of 3 major projects in the petroleum and natural gas industries, as well as continued investment in agro-industry.

In the petroleum sector, and the construction of a new 1500 km. pipeline for heavy crude oil, will provide significant sales potential for American pumps and valves. In addition, the construction of a submarine gas pipeline - 37km long - stretching from the Gulf of Guayaquil to the mainland will provide further sales opportunities for American pump and valve manufacturers.

The petroleum industry aside, the bulk of the pump and valve market is driven by the agricultural sector. Ecuador is rich in arable soil, and counts on over 556,000 hectares of irrigated land; a 160,000 hectares of which are dedicated to banana alone. Each month, over 16 billion liters of water are required to properly irrigate this expanse of banana plantations. With life cycles of 2-7 years, pumps for irrigation and their parts are always in high demand. Two irrigation development projects on the coast will create a further 45,000 ha. of irrigated land by the year 2001. The collateral demand by farmers for pumps to carry water from the irrigation canals to their fields is expected to rise steeply.

U.S. and European products dominate the market for petroleum, high-end irrigation, and industrial pumps and valves. However, the small, multi-use pump and small valves market is extremely competitive, with strong representation from Colombian, Peruvian, Italian, German, Spanish, and generic Chinese and Korean imports. Best prospects include: centrifugal, rotary, submersible, turbine and oil well, and field pumps; pressure-reducing, safety and relief, iron gate, globe, ball and butterfly type valves; steel gate, globe, ball, and butterfly type valves; and valves for oleo-hydraulic or pneumatic transmission.

#### Data Table:

USD Millions	1998	1999	2000
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B.	Total Market Size:	157	37.2	53
B.	Total Local Production:	. 1	.2	.1
C.	Total Exports:	N/A	N/A	N/A
D.	Total Imports:	156	37	52.9
E.	Imports from the U.S.:	76.2	21	31

\* Figures are unofficial estimates.

5. Rank of Sector: 5  
 Name of Sector: **Advertising Services**  
 ITA Industry Code: ADV

NARRATIVE: Advertising is the barometer of a country's economic situation, and as such the sector's growth declined during the 1999 economic and political crisis. As the economy moves on to dollarization, and firms regain buying power, investment in advertising should increase in order for firms to gain market position. The major international advertising companies operate in Ecuador, the majority of which are from the U.S. Cellular telephony, the government, banks owned by AGD, and massive consumption items offer the best prospects for U.S. firms offering advertising services. There are no barriers to publicity in Ecuador.

DATA TABLE (USD Millions):	1998	1999	2000
A. Sales by Foreign-owned estab.	92	48	48
B. Sales by Locally Owned estab.	23	12	12
C. Foreign Sales by Local estab.	0	0	0
D. Total Sales 115	60	60	
E. Sales by US located estab.	11.5	6	6

Figures are unofficial estimates.

6. Rank of Sector: 6  
 Name of Sector: **Industrial Chemicals**  
 ITA Industry Code: ICH

NARRATIVE: Industrial chemicals offer good sales opportunities for U.S. suppliers as basic chemicals are all imported to be processed locally in order to produce raw materials for the various industries. Specialty chemicals are also imported. Imports are mainly from the U.S. However, there is strong competition from Germany, Mexico, Brazil, Venezuela, Colombia, China and Canada. As is true in other industries, the sector was affected by Ecuador's recession. However, during the first semester of 2000, the sector

has started to recuperate. Industry experts predict a 20% growth during 2001. Most promising subsectors are dyes, inorganic and organic chemicals, paints, pigments and varnishes, petrochemicals, and water treatment chemicals.

DATA TABLE (USD Millions):	1998	1999	2000
A. Total Market Size	34	23.8	29.5
B. Total Local Production	2.4	1.7	2.1
C. Total Exports	0.0	0.0	0.0
D. Total Imports	32.4	22.1	27.4
E. Imports from the U.S.	20.2	14.1	17.5

Figures are unofficial estimates.

6. Sector Rank: 6  
 Sector Name: **Agricultural Machinery & Equipment**  
 ITA Industry Code: AGM

#### Narrative:

Ecuadorian imports of agricultural machinery and equipment decreased by 44 percent from USD 54 million in 1998 to USD 30 million in 1999. The reduction came as a result of the deep economic in the last two years. Agricultural machinery and equipment imports have begun a slow recovery during the first half of 2000 and are expected to resume a 20 percent growth trend per year during the next three years. Ecuador does not manufacture agricultural equipment and U.S. products comprise approximately 50 percent of total imports.

During the last 2 years, Ecuador has significantly increased the importation of Colombian and Brazilian agricultural equipment due to their convenient price and lower Andean import tariffs. Brazilian imports are also expected to increase their market share since the GOE has reached a new tariff agreement with Mercosur countries. Brazilian imports include U.S. brands manufactured in Brazil, such as John Deere and Caterpillar. Indusur Motcum, the John Deere distributor in Guayaquil, is currently planning to introduce a new John Deere tractor specially designed for Ecuadorian farmlands and manufactured in their Mexican production plant.

The Ecuadorian market is price competitive. Best selling tractors have a price range of 38,000 to 100,000 USD and are grouped under the 87 to 200 HP categories. After-sale support and parts will become a key ingredient, due to recently passed legislation that allows the importation of used agricultural equipment. It is recommended that US firms incorporate Ecuadorian climatic and farming requirements in their product design in order to obtain best results.

US competitors include Japan, Brazil, Germany, Spain, Colombia and, Israel. End users of agricultural machinery and equipment include rice, sugar cane, corn and soybean producers. Best prospects include: tractors; harvesters; combine harvester-threshers; sugar processing harvesters; sprinkler systems based on pipelines; parts for power trains, parts; agricultural and horticultural appliances and sprayers; sand blasting machines; machinery for preparing animal feeds; mattocks, picks, hoes, and rakes and their parts; and machinery used in the manufacturing of wine, cider, fruit juices or similar beverages.

Data Table:

USD Millions		1998	1999	2000*
C.	Total Market Size:	54.1	30.7	10.8
B.	Total Local Production:	-	-	-
C.	Total Exports:	-	-	-
D.	Total Imports:	54.1	30.7	10.8
E.	Imports from the U.S.:	20.5	11.7	1.3

\*Figures are unofficial estimates.



## **CHAPTER VI: TRADE REGULATIONS AND STANDARDS**

### **A. TRADE BARRIERS**

Ecuador has liberalized its trade regime since 1990, resulting in a reduction of tariffs and tariff dispersion, elimination of most non-tariff surcharges, and enactment of an in-bond processing industry law. It is relatively open to U.S. exports and direct investment.

#### **Tariff Barriers**

When Ecuador joined the WTO in January 1996, the country set most of its tariff rates at 30 percent or less. Ecuador's average applied tariff rate is about 13 percent ad valorem. The Andean Community common external tariff (CET) has a four-tiered structure with levels of 5 percent for most raw materials and capital goods, 10 or 15 percent for intermediate goods, and 20 percent for most consumer goods.

#### **Non-Tariff Barriers**

Ecuador requires prior authorization from several ministries for a number of goods including: processed foods; cosmetics; liquors; certain medical disposables and agricultural; gambling equipment; animal feed; mineral fertilizers; and vegetable seeds. Agricultural commodities are occasionally prevented from entering Ecuador through the arbitrary use of sanitary/ phytosanitary rules as a means of restricting import quantities.

Ecuador continues to impose certain formal and informal quantitative restrictions. The importation of used motor vehicles (except tractors) although the government is working on a new policy to allow importation of used agricultural equipment, tires and clothing is still banned. The government may open the importation of used vehicles for public transportation (i.e. buses and taxis) but to do so a change in the transit law is required. Several agricultural goods are subject to the Andean price band system that protects local producers. Under this system a variable additional duty is established for third party imports in relation with international market prices.

Imports of psychotropic medicines and certain precursor chemicals used in narcotics processing require prior authorization from the National Drug Council (CONSEP). Imports of weapons, munitions, explosives, armored vehicles, helicopters, airplanes, ships, and other related equipment require prior authorization from the Ministry of Defense.

Under the Andean Community Common Automotive policy, Ecuador imposes regional content requirements in the automotive assembly industry ranging from 6% to 14.3% in order to qualify for reduced duties on imports. These percentages will increase yearly through 2009.

Foreign professionals are subject to national licensing legislation. Foreign insurance companies may not present offers on government tenders. Maritime transport services are

generally open, subject to reciprocity with other countries. Basic telephony is currently reserved for the State. However, a new law is scheduled to open up the sector to free competition by the fall of 2000 and to sell 51 percent of the state phone companies by 2001.

The following government agency is in charge of the foreign trade policy and regulations:

Ministerio de Comercio Exterior, Industrializacion y Pesca  
 Consejo de Comercio Exterior e Inversiones - COMEXI  
 Av. Amazonas y Eloy Alfaro, edif.MICIP, ofc.111.  
 Quito, Ecuador  
 America del Sur  
 Tel: 593-2-239-258  
 Fax: 593-2-543-897  
 Email: [comexi@uio.satnet.net](mailto:comexi@uio.satnet.net)  
 Web site: [www.comexi.org](http://www.comexi.org)  
 Contact: Javier Mora, Executive Director  
 Foreign Trade Council

## **B. CUSTOMS REGULATIONS**

Ecuadorian customs procedures can be difficult, but generally are not used to discriminate against U.S. products.

Due to the dolarization process, currency exchange calculations are now unnecessary. This has simplified international trade procedures, including customs. For customs information, please contact:

Corporacion Aduanera Ecuatoriana  
 Avenida 25 de Julio, Edif. Direccion Nacional de Aduanas,  
 Via al Puerto Maritimo  
 Guayaquil, Ecuador  
 Tel: 593-4-480-640  
 Fax: 593-4-488-894  
 E-mail: [lhidalgo@corpae.com](mailto:lhidalgo@corpae.com)  
 Web site: [www.corpae.com](http://www.corpae.com)  
 Contact: Luis Hidalgo Vernaza, General Manager  
 Ecuadorian Customs Corporation

## **C. TARIFF RATES**

Ecuador's tariff schedule is based on the Harmonized System of Nomenclature. Consistent with the Andean Common External Tariff (CET), the tariff range is 0-20 percent; the highest duty, 35 percent, is levied on automobile imports to protect the local assembly industry. Most consumer goods imports pay 20 percent, while intermediate

goods are usually imported at 10 or 15 percent rates. Raw materials and capital goods generally pay 0 or 5 percent. Ecuador has negotiated exceptions under the Andean common tariff that allow for lower duties for certain capital goods and industrial inputs.

A transitional safeguard system is in effect since March 1999. This system is being abolished progressively. Some items such as automotive parts, home appliances and corn are no longer under this regime. It is expected that this system will be eliminated completely according to a schedule yet to be determined.

The tariffs based on the CIF value of the goods are as follows:

Product	Import Duty	Safeguard Tariff	New Import Duty
Raw materials	0%	2%	2%
CKD (Assembly Kits)	3%	3%	6%
Agriculture, medical, some capital goods, machine tools	5%	5%	10%
Intermediate goods	10%	5%	15%
Finished goods	15%	8%	23%
Luxury articles	20%	10%	30%
Automobiles	35%	5%	40%

#### **D. IMPORT TAXES**

In addition to import duties, all imports are subject to a 12 percent value-added tax, 0.1 percent modernization fee, 0.25 per thousand for the Exports and Investment Promotion Corporation-CORPEI, and an additional 0.5 percent tax for the Children's Development Fund. Except for the 0.25%, which is based on the FOB value, all other charges are based on the CIF value of the merchandise. Also, an inspection fee of up to one percent on the FOB value (with a minimum of 180 dollars) is required.

##### **Excise Taxes**

Since September 1998, new excise taxes have been levied on all liquor (26.78%), beer (30.9%), soft drinks (10.3%), cigarettes (light 77.25%, dark 18.54%), motor vehicles (5.15%), and aircraft (10.3%). As excise taxes on imports are calculated on CIF values, the effective rate is higher for imports than domestic products. Ecuador has not yet equalized the application of excise taxes between imported and domestic products.

##### **Surcharges**

The Ecuadorian government establishes additional surcharges on imports, or safeguard tariffs, to raise additional revenues to alleviate the fiscal deficit. However, the government has claimed it will soon abolish these tariffs.

## Import License Requirements

Importers must register with the Central Bank of Ecuador through approved banking institutions to obtain an import license. Import licenses, known as DUI-Documento Unico de Importacion (Import Document Authorization), are obtained before incoming goods are shipped from the port of origin. The following documentation is required to obtain an import permit: the commercial invoice, the import number assigned by the Central Bank, and the income tax registry number. The license is valid for an unlimited time but it can only be used for one shipment.

### **E. TEMPORARY GOODS ENTRY REQUIREMENTS**

Ecuador allows temporary entry of items for demonstration or fairs, for duty free zones and for special projects for up to 180 days. In the case of special projects, the period may be extended once by presenting an extension request to the Customs District Administrator for up to 6 months. During this period, the obligation to pay taxes and duties is suspended, subject to the condition that the commodities be re-exported. Commodities may also be nationalized after paying the corresponding taxes and fees.

Although import duties are waived, a bank guarantee or insurance for 120 percent of the import duties should be presented to Customs. This bond will be returned once the merchandise is repatriated. There is a customs control tax, which is paid based on the CIF value of the merchandise.

For maquila operations, the equipment needed for assembly operations can also be imported free of duties, although a bond has to be deposited. No import permits are required. Special labor regulations apply to companies operating under this system.

## Transit

Customs law requires an "in transit" declaration for the transit of foreign commodities through Ecuadorian territory. This declaration must state the period required for the operation and that the person signing the declaration and the carrier are jointly responsible for the payment of duties, taxes, and guarantees on the commodities if they do not arrive in their entirety at destination. The customs house receiving the incoming merchandise will verify the contents of this document.

### **F. SPECIAL IMPORT/EXPORT REQUIREMENTS AND CERTIFICATIONS**

Upon arrival of the merchandise, Ecuadorian customs authorities authorize the payment of duties and the release of the goods. This process should take two working days, however delays have been experienced due to constant political changes in their organization. The use of a specialized customs agent is highly recommended in order to expedite the process.

Exports from Ecuador require an export license issued by the Central Bank, through approved banks. The following documentation is required to obtain an export license: the export number assigned by the Central Bank, the ID card and the income tax registry number. The issuance of an export license takes five working days.

For additional information on the import and export procedures, please contact the Ecuadorian Customs Corporation.

### Sanitary Registry

The Ministry of Agriculture is responsible for administering Ecuador's zoosanitary and phytosanitary import controls. The tendency of the Andean Region countries is to mutually recognize the sanitary registration certificates. The Ecuadorian government has not yet complied with Andean Pact Decision 418 which contemplates recognition of the Common Andean Sanitary Registration.

The Ministry of Health through the National Institute of Hygiene and Tropical Medicine "Leopoldo Izquieta Perez" is in charge of issuing the Sanitary Registry for processed foods and pharmaceuticals.

Ecuador has not yet fulfilled its 1995 bilateral commitment to the United States to accept U.S. certificates of free sale as the basis for sanitary registrations. To do so, the Health Code must be amended.

### Pre-shipment Inspection

Since 1994, all Ecuadorian imports and exports are subject to inspection by authorized international verification companies operating in the country. Goods are appraised for value, quantity, quality, and weight at the port of origin.

The following imports are exempt from verification:

- Imports below FOB USD 4,000
- Works of art, arms and defense materials.
- Newspapers, books, magazines and other printed material
- Traveler's personal effects
- Parcel post
- Donations to the public sector
- Imports by diplomatic missions
- Imports by the public sector financed by international Loans.
- Imports of gas and fuel by Petroecuador (state petroleum company)
- Imports destined for temporary entry, free trade zones or maquila operations.
- Coffins

There are five international inspection companies contracted and authorized by the Ecuadorian Government to conduct inspections. For more information on verification companies, please contact the Ecuadorian Customs Corporation.

#### Government Procurement

The 1990 Public Contracting Law regulates government procurement. In some instances, the military is not required to use this law for its purchases. Foreign bidders on government contracts must be legally represented in Ecuador. There is no formal discrimination against U.S. suppliers. Performance and advance payment guarantees are required under this law. Ecuador is not a signatory to the WTO Agreement on Government Procurement.

### **G. LABELING AND MARKING REQUIREMENTS**

The Ecuadorian Standards Institute (Instituto Ecuatoriano de Normalizacion, INEN) sets all requirements. Labeling must be done in Spanish and should include the name of the company, address and phone number, the commercial tag number, the country of origin, unit, net weight, and sanitary registration number if required.

For additional information, please contact the following government agency:

Instituto Ecuatoriano de Normalizacion, INEN  
 Casilla 17-01-3999  
 Baquerizo Moreno 454 y 6 de Diciembre  
 Quito, Ecuador  
 America del Sur  
 Tel: 593-2-528-556  
 Fax: 593-2-567-815  
 E-mail: [inen1@inen.gov.ec](mailto:inen1@inen.gov.ec)  
 Web site: [www.ecua.net.ec/inen/](http://www.ecua.net.ec/inen/)  
 Contact: Felipe Urresta, Director  
 Ecuadorian Standard Institute

Exporters can also contact their Ecuadorian importers to determine current regulations.

### **H. PROHIBITED IMPORTS**

Prohibited imports include used clothing, used tires, used shoes, used vehicles (except tractors), certain pesticides, certain epoxies and esters, reptile hides, worked ivory and articles of ivory. The government may open importation of used vehicles for public transportation (i.e. buses and taxis) but to do so a change in the transit law is required.

### **I. WARRANTY AND NON-WARRANTY REPAIRS**

According to Ecuadorian import regulations, when merchandise is temporarily exported for repair, applicable import duties are only charged on the aggregated value, i.e. new or reconditioned replacement parts added to the original merchandise. Merchandise leaving the country temporarily will be marked by customs in order to identify it upon its return.

## **J. EXPORT CONTROLS**

The Ecuadorian Government prohibits the export of artistic, cultural, archeological and historical products that are part of the national patrimony, as well as endangered species of wildlife and flora. Products pertaining to the national patrimony may be exported on a temporary basis for exhibition purposes when authorized by the National Patrimony Institute. Endangered wildlife and flora species may be exported for scientific and educational purposes when authorized by the Ecuadorian Forestry and Wildlife Institute (INEFAN).

Narcotics and psychotropic substances need authorization from the National Council of Narcotic Control (CONSEP) before they can be exported. The export of radioactive minerals is subject to control by the Atomic Energy Commission.

Certain basic consumption products and raw materials may be subject to export restrictions and quotas. Such products may not be exported in amounts exceeding those authorized by the Central Bank.

## **K. STANDARDS**

The Ecuadorian National Standards Institute (INEN) sets standards. Some of the standards followed are the ISO 9000 (related to requirements in production processes), the ISO 14000 (environment), ISO 44000 (laboratories). Ecuador committed itself in its WTO accession protocol to conform with the WTO agreement on technical barriers to trade. The Ecuadorian National Standards Institute also gives quality seals required to export.

### **Certificate of Conformity**

The certificate of conformity to standards is necessary to obtain the INEN-1 form, which is required to obtain the import permit (DUI), and must be presented along with the import permit at any of the corresponding banks. Imported products must comply either with the Ecuadorian standards, the international ISO, or other accepted international standards.

## **L. FREE TRADE ZONES/WAREHOUSES**

A Free Trade Zone law is in effect since 1991. This law provides for: the import of raw materials and machinery free of duty; the export of finished and semi-processed goods; raw materials without duty; and a tax exemption for all business transactions and contracts which take place in the zone. Foreign investments in such zones are exempt

from any current or future restrictions on capital repatriations. Companies established in the Free Trade Zone may develop industrial or commercial activities and must pay up to a 2% fee of their investment to the National Council of Free Trade Zones in order to operate in the Free Trade Zone.

A maquila (in-bond processing) law is in effect since 1990, but only a few firms in the textile and fish processing sectors make use of it.

Five free trade zones are established in Ecuador. For more information on Free Trade Zones, please contact the following government agency:

Ministerio de Comercio Exterior, Industrialización y Pesca  
 Av. Amazonas y Eloy Alfaro  
 Consejo de Zonas Francas  
 Quito, Ecuador  
 America del Sur  
 Tel: 593-2-562-565  
 Fax: 593-2-562-258  
 E-mail: [micip4@ec-gov.net](mailto:micip4@ec-gov.net)  
 Contact: Marcelo Aguilar, Executive Secretary  
 Free Trade Council

Customs warehouses are small and not adequate for the volume of cargo handled. It is recommended that merchandise be insured. Independent bonded warehouses (almacenes generales de depósito) are available for storage of imports at an additional cost. These warehouses generally provide good facilities and security. There are about 50 independent bonded warehouses in Ecuador.

## **M. MEMBERSHIP IN FREE TRADE ARRANGEMENTS**

Ecuador is a member of the Andean Community, the ALADI (Latin American Integration Association) and the WTO. In addition, Ecuador has concluded bilateral free trade agreements with Colombia, Bolivia, Venezuela and Chile.

The Ecuadorian government is negotiating a trade agreement with Mexico and has expressed interest in joining a Mexico-Colombia-Venezuela or "G-3" trade agreement. Ecuador is also engaged in trade talks with Mercosur (Brazil, Argentina, Paraguay, and Uruguay) and participates in the Free Trade Area of the Americas (FTAA) working groups.

## **N. CUSTOMS CONTACT INFORMATION**

Corporación Aduanera Ecuatoriana  
 Avenida 25 de Julio, Edif. Dirección Nacional de Aduanas,  
Via al Puerto Marítimo  
 Guayaquil, Ecuador  
 Tel: 593-4-480-640



Fax: 593-4-488-894

E-mail: [lhidalgo@corpae.com](mailto:lhidalgo@corpae.com)

Web site: [www.corpae.com](http://www.corpae.com)

Contact: Luis Hidalgo Vernaza, General Manager  
Ecuadorian Customs Corporation

## **CHAPTER VII: 2000 INVESTMENT CLIMATE STATEMENT FOR ECUADOR:**

### **A. OPENNESS TO FOREIGN INVESTMENT**

The Ecuadorian government publicly welcomes foreign investment and offers a relatively open foreign investment regime. As a member of the Andean Pact, Ecuador's foreign investment policy is governed largely by Decisions 291 and 292 of 1991. Implementing regulations issued in January 1993 and a 1997 law to promote foreign investment further liberalized the investment regime.

Under current regulations, foreign investors receive the same rights of entry as Ecuadorian private investors. Foreign investment with up to 100 percent equity is allowed without previous authorization or screening in virtually all sectors of the Ecuadorian economy currently open to domestic private investment. Remittances of 100 percent of profits and capital are permitted. Foreign investors must register the amount of their investments with the central bank for statistical purposes.

Prior authorization is required for technology contracts, including licenses or franchises. No limits exist on the amount of royalties that may be remitted. All technology contracts must be registered with the Ministry of Industries and Commerce. In September 1997, the Ecuadorian Congress repealed the law for the protection of representatives, agents and dealers of foreign enterprises (Dealers' Act), which imposed discriminatory restrictions on foreign companies in their dealings with their Ecuadorian agents. Despite the repeal, a number of previously filed cases against U.S. companies proceeded in the Ecuadorian court system. In addition, at least one new Dealers' Act case has been formally filed against a major U.S. company.

There is no legal discrimination against foreign investors at the time their investments are made. Limitations on foreign equity in the financial sector, prior authorization requirements for foreign companies investing in public services, and discriminatory tax treatment for foreign investors no longer exist. Foreign investors may participate in government-financed research programs. Visa and residence requirements do not inhibit foreign investment.

Although the scope for private sector participation has been expanded in recent years, foreign investors, and often domestic investors as well, still operate with limitations in certain sectors of the economy:

#### **Petroleum**

All subsurface resources belong to the state. Foreign oil companies previously engaged in exploration and development activities under risk-service contracts with Petroecuador, the state oil company. Investments in the oil sector now use production-sharing contracts that give private investors the right to share in finds. Private companies, including

foreign ones, can now participate in domestic fuel distribution, refining and transport activities.

### Mining

The mining sector is open to foreign investment, with individual concession arrangements to be worked out with the Ministry of Energy and Mines. Foreign investors are prohibited from obtaining mining rights in zones adjacent to international boundaries without permission of the president and approval of the armed forces. The government has sent proposed changes to the mining law to the Congress in order to further promote foreign investment in this sector.

### Fishing

Foreign investment in domestic fishing operations is restricted to 49 percent of equity, with exceptions permitted with appeal to the national fishery development council.

### Electricity

Electric power generation has been reserved for the state, with delegation of activities to the private sector on an exceptional basis. However, the government now plans to sell all of its electrical facilities to investors beginning in the fall of 2000. The largest electricity distribution company, which serves the city of Guayaquil, is in private hands, and the government has allowed other private suppliers into the market.

### Telecommunications

Basic telecommunications have been reserved for the state. Nevertheless, two private groups with foreign participation were granted concessions in 1993 to develop cellular telephone systems; satellite and paging services are also in private hands. Emetel, the state telephone enterprise, has been split into two corporations: Andinatel and Pacifictel. Fifty-one percent of these facilities are planned for sale in 2001. The recent changes in the telecommunications law will open up the sector to free competition as of the fall of 2000.

### Media

Foreign companies are limited from owning more than 25 percent equity in broadcast stations. Broadcast concessions must be held by Ecuadorians.

### Strategic Sectors

Other "strategic enterprises" are reserved for the public sector, including national security industries, in which the military often acts as a joint venture partner with private industry.

## **B. RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT**

Foreign and domestic private entities can own business enterprises and engage in almost all forms of business activity. Private entities can compete freely with the public sector in most areas. While the state still controls the areas of telecommunications, electricity, and other "strategic" sectors, such rights may be derogated to the private sector by subsequent legislation or executive decree. Foreign and private firms enjoy equal access in bidding for purchase of state-owned firms or long-term concession contracts.

## **C. PROTECTION OF PROPERTY RIGHTS**

For the most part, Ecuadorian law provides adequate protection for property rights. In the past, it has sometimes been difficult to gain effective protection via the legal system due in part to problems of transparency.

Ecuador offers protection under a new intellectual property rights (IPR) law that incorporates decisions 344, 345, and 351 under the Cartagena accord of the Andean pact and many aspects of the intellectual property provisions ("trips") of the World Trade Organization. The law provides criminal and administrative relief to right holders. Ecuador has ratified the Berne convention for the protection of literary and artistic works and the Geneva phonogram convention, but not the Paris convention for the protection of industrial property. Ecuador has observer status in the World Intellectual Property Organization (WIPO).

### **Patents**

The IPR law extends patent protection for 20 years from date of filing. Patenting of pharmaceutical products is permitted. Compulsory licensing is relatively limited. In infringement cases, the burden of proof lies with the alleged infringer. The law also provides patent protection for new drugs. "Pipeline" applications filed in 1994 may still be processed, and a small number have been approved.

### **Other Protection**

The IPR law provides protection for industrial designs and extends protection to industrial secrets and denominations of origin. Semiconductor chip layouts are protected. The law provides protection for development of new plant varieties and biotechnology products.

### **Trademark**

Trademark registration is permitted for renewable 10 year periods, but registration may be canceled if the mark is not used in the Andean region for a period of three years. The IPR law provides protection for well-known trademarks. A trademark registration cannot be voluntarily surrendered without consent of licensees.

## Copyrights

The IPR law protects printed and recorded works for the life of the author plus 70 years. Computer programs are protected, albeit as a type of work distinct from literary works. The IPR law covers software.

## Registration and Enforcement

Patent, trademark, and copyright registrations are to be made with the Ecuadorian Intellectual Property Institute (IEPI), which was formally established in January 1999. Pirating of recorded material, textbooks, and software programs is rampant. The national police and the customs service are responsible for carrying out IPR enforcement orders. In the past, it has been difficult to get court orders enforced or to secure effective police action. However, there are reports this situation is improving substantially.

## **D. FOREIGN TRADE ZONES AND FREE PORTS**

A free trade zone law was passed in 1991 in order to promote exports, foreign investment, and employment in free trade zones established by the government. This law provides for: the import of raw materials and machinery free of duty and tax; the export of finished and semi-processed goods, raw materials without duty and tax; and tax exemption for all business transactions and contracts that take place in the zone. Foreign investments in such zones are exempt from any current or future restrictions on capital repatriations. Companies established in a free trade zone may develop industrial or commercial activities and must pay a fee equal to two percent of their investment to the national council of free trade zones in order to operate in the free trade zone.

A maquila (in-bond processing) law has been in effect since 1990, but only a few firms in the textile and fish processing sectors make use of it.

Free trade zones have been established in Esmeraldas and Manabi provinces.

## **E. PERFORMANCE REQUIREMENTS AND INCENTIVES**

There are no performance requirements associated with foreign investment in Ecuador. Nor are there any requirements that investors localize equity ownership by transferring shares to Ecuadorians over time, though it is generally advisable to obtain the participation of local equity investors in new ventures.

## **F. TRANSPARENCY OF THE REGULATORY SYSTEM**

The regulatory system in Ecuador economy has not been specifically geared toward fostering competition and is insufficiently transparent. There is a fair degree of industrial concentration and no anti-trust laws. The superintendent of banks regulates financial and insurance institutions, the national council of radio broadcasting and television (Conartel)

regulates broadcasters, while the superintendent of companies regulates all other firms and, via the national securities council, the stock markets.

## **G. CORRUPTION**

Ecuador has laws and regulations to combat official corruption, but they are rarely enforced. Illicit payments for official favors and theft of public funds take place frequently in Ecuador. Bribery often compromises the procurement process of the central government, as well as the autonomous agencies and the parastatals. Dispute settlement procedures are made more difficult by a lack of transparency in the court system and the openness of many judges to bribery. Local authorities often expect gratuities for issuing necessary permits. On the other hand, corruption does not generally present a problem when making transfers, dealing with national-level regulatory agencies, or engaging in normal private sector business.

The giving and accepting of bribes is contrary to Ecuadorian law and is punishable by imprisonment for up to five years. Bribes to a foreign official cannot be deducted from Ecuadorian taxes. On the other hand, tax evasion is an endemic problem in Ecuador. The controller general of the nation is responsible for oversight of the use of public funds and there are frequent investigations and occasional prosecutions for small-scale irregularities. Autonomous agencies are subject to little effective oversight. Government officials and candidates for office often make an issue of corruption and try to expose the misdeeds of political opponents. Politically-motivated corruption scandals are a feature of every presidential administration and featured prominently in the ouster from office of Vice President Alberto Dahik in 1995 and President Abdala Bucaram in 1997 and the preventive detention of former President Fabian Alarcon in 1999. High-profile cases rarely have led to convictions since realignment of political forces often results in amnesties.

## **H. LABOR**

Ecuador's population reached 12.4 million in 1999. About half live in urban areas and only 1 million hold formal sector jobs. About 40 percent of the urban population works in the informal sector. A quarter of the total population are members of rural indigenous communities. The literacy rate in Spanish is 85 percent. Workers with artisan skills are relatively abundant at low wages. Minimum compensation levels are set by the Ministry of Labor according to job and industry and can be adjusted by congress. The minimum compensation package was about USD 110 a month in mid-1999.

A weak public university system produces a surplus of semi-qualified graduates in the professions. Trained financial professionals and engineers can be difficult to attract and tend to require additional training to reach international standards. There have been relatively few high technology investments in Ecuador, though a few foreign firms are conducting agricultural research here. Little post-graduate education exists in Ecuador, and scientists are nearly all foreign-trained. Upper-level Ecuadorian managers have frequently been educated abroad, most often in the United States. Private sector

professional salaries have been rising in dollar terms in recent years, while government employees have seen their pay severely eroded by inflation.

Cumbersome regulations of the Ministry of Labor apply equally to both foreign and domestic firms and tend to inhibit investment. The labor code provides for a 40 hour work week, 15 calendar days of annual paid vacation, restrictions on child labor, general protection of worker health and safety, minimum wages and bonuses, maternity leave and employer-provided benefits. Companies must distribute at least 15 percent of pre-tax profits to their employees. Some employers rely on short-term contracts since job tenure rules make it difficult to lay off permanent workers.

Labor-management relations are generally adequate. Most workers in the private and parastatal sectors enjoy the constitutional right to form trade unions and local law allows for unionization of any company with more than 30 employees. Less than 10 percent of the urban work force, mostly skilled workers in medium to large sized private or state industries, is officially organized. Private employers are required to engage in collective bargaining with recognized unions. The labor code provides for resolution of conflicts through a tripartite arbitration and conciliation board process. The code also prohibits discrimination against unions and requires that employers provide space for union activities.

Except for public servants and workers in some parastatals, workers by law have the right to strike. Legally striking employees are entitled to full pay and benefits and may occupy the premises under police protection, although there are restrictions on solidarity strikes. Most public sector employees are technically prevented from joining unions, but most are members of a labor organization and most labor actions are in fact illegal strikes by public employees. Although trade union political influence has declined in recent years, the Unified Workers Front (FUT) and other labor groups occasionally attempt to stage national strikes to protest the modernization process and economic adjustment measures. Labor organizations helped mobilize the street protests that contributed to the removal of president Bucaram from office by congress in February 1997. In 1998 there were no strikes or serious labor problems in any U.S. subsidiary.

## **I. EFFICIENCY OF CAPITAL MARKETS AND PORTFOLIO INVESTMENT**

Ecuadorian capital markets are relatively underdeveloped. Most large industrial groups are privately held, and are financed largely through debt. The bulk of activity on the Guayaquil and Quito stock exchanges currently involves trading in short-term commercial paper, bank obligations, and government debt. The 1993 capital markets law set up a modern regulatory structure, opened stock market trading to banks and other firms, and encouraged the development of mutual funds.

Most stock trades involve shares in a handful of banks and companies. Additional sales of government holdings, public offerings by major Ecuadorian firms, and privatization of the social security institute pension funds are needed to deepen the market. Bank credit is generally allocated on market terms, though there is some concentration of domestic

credit toward the major economic groups. Foreign investors are able to borrow competitively on the local market in either local currency or dollars. The private sector has access primarily to short-term bank credit. Financial legislation provides for the use of inflation-indexed "units of constant value" (UVC) as a means of facilitating medium-term credit in an inflationary economy.

International accounting firms audit the books of most major companies in Ecuador, including large state-owned entities, under standards established by the Superintendency of Companies.

## **J. CONVERSION AND TRANSFER POLICIES**

Foreign investors are free to remit 100 percent of net profits through the free exchange market without restriction. They may also repatriate the proceeds of liquidation of their investment through the free exchange market. Foreign investors can use the free exchange market to convert their inward investment flows. There is currently no rationing of foreign exchange, as the exchange market operates through commercial banks at a fixed rate of 25,000 sucres to the dollar. In accordance with its ongoing effort to dollarize the economy, begun in early 2000, local currency will be less and less available and all transactions will be conducted in U.S. dollars.

There are no current limitations on outflows of funds for profit remittances, debt service, capital gains, returns on intellectual property, or imported inputs.

Ecuadorians are free to export capital through the free market, and there are substantial Ecuadorian financial holdings in the United States and offshore banking centers. A number of Ecuadorian banks have investments in U.S. banking operations. There are no incentives for outward investment, and no export credit arrangements.

## **K. EXPROPRIATION AND COMPENSATION**

Expropriation is provided for in Ecuadorian law with appropriate compensation. In infrequent cases of expropriations, the individual has the right to petition a judge to establish the appropriate price for expropriated holdings. The agrarian development law restricts the grounds for expropriation of agricultural land and makes land cases subject to regular courts. The extent to which investors and lenders receive prompt, adequate and effective compensation is largely related to the particular judicial process underway. However, the treatment is legally identical for both foreign and domestic investors. Under Ecuador's bilateral investment treaty with the United States, expropriation can only be carried out for a public purpose, in a nondiscriminatory manner, and upon payment of prompt, adequate and effective compensation.

## **L. DISPUTE SETTLEMENT**

A cumbersome and corrupt legal system may make it difficult to enforce property and concession rights, particularly in the agriculture and mining sectors or in cases of



expropriation. A number of foreign and local investors have had agricultural land seized by squatter groups over the years. In the past, squatter claims in the agriculture sector were often legally recognized by agrarian reform authorities, with minimal, if any, compensation paid. The current agrarian law makes legalization of such seizures difficult and guarantees cash payment of the market value of expropriated property. Some local and foreign mining companies have had their concessions occupied by informal miners, who have subsequently negotiated for a share of the respective concessions. Many government entities, especially the state oil, telephone, and electricity companies, routinely violate their contracts with domestic and foreign private firms.

The U.S.-Ecuadorian bilateral investment treaty provides for binding international arbitration of disputes with the government at the investor's option. Although Ecuador joined the international center for the settlement of investment disputes (ICSID), the government maintains that congressional ratification is necessary to make that membership effective.

There have been cases in which foreign company officials have been prevented by the courts from leaving Ecuador due to pending claims against the company. Ecuadorians involved in business disputes can sometimes arrange for their opponents, including foreigners, to be jailed pending resolution of the dispute.

## **M. POLITICAL VIOLENCE**

Ecuador is a democracy that is generally free of the type of political violence that afflicts many of its neighbors. Students, labor unions, and indigenous groups regularly stage protests against government policies that can lead to confrontations with security forces. Indigenous-led (and military backed) protests in January 2000 resulted in the fall of the Mahuad administration, but with very little violence. Kidnappings by criminals are becoming more of a problem. Land disputes can sometimes lead to violence.

## **N. BILATERAL INVESTMENT AGREEMENTS**

This treaty provides for national treatment, unrestricted remittances and transfers, prompt, adequate and effective compensation for expropriations, and binding international arbitration of disputes.

## **O. OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS**

Ecuador has had an updated investment guarantee agreement with the Overseas Private Investment Corporation (OPIC) since 1986. Ecuador has signed and ratified the Multilateral Investment Guarantee Agreement (MIGA).

## **P. FOREIGN DIRECT INVESTMENT**

The largest foreign investors in Ecuador are petroleum companies engaged in exploration and production in the Amazon basin, including YPF/Repsol, Occidental Energy

Corporation, and Kerr-McGee Energy Company from the U.S. There are also several U.S. oil service and distribution firms active in Ecuador. AGIP (Italy) markets liquefied petroleum gas (LPG). Newmont Gold Corp. (U.S.) and Gold Fields (South Africa) have investments in the mining sector, though Odin Mining (Australia) and RTZ (U.K.) have essentially pulled out of the sector. Morton (U.S.) produces salt with a local partner. Duke Energy (U.S.) also operates in Ecuador.

American firms active in the manufacturing sector include General Motors, which holds a minority interest in two automobile assembly plants, Owens-Illinois (glass containers), Phelps Dodge (copper and aluminum conductors), Philip Morris (cigarettes), Borden (chemicals), Texaco (lubricants and steel containers), Eveready battery (batteries), and Fuller (paints). General Tire (U.S./Germany) manufactures tires, Holderbank (Switzerland) produces cement, Akzo (Netherlands) makes fibers and textiles, and Eternit (Switzerland) fabricates construction materials.

There are several American pharmaceutical companies operating in Ecuador, including Schering Plough, Bristol-Myers Squibb, Merck, Upjohn, American Cyanamid, McKesson, Whitehall, and sterling Wyntrop. U.S. firms Colgate-Palmolive, Dial and Johnson Wax manufacture toiletries and cleaning products. Grupo Santo Domingo (Colombia) owns the major brewery though an Ecuadorian-led group opened a rival brewery in 1999. Nestle (Switzerland) and Nabisco (U.S.) are leading food product manufacturers, while a number of other foreign firms have invested in processing facilities for non-traditional vegetables and fruits. Continental grain (U. S.) mills flour and, along with several other U.S. firms, is a major investor in shrimp farming. Standard Fruit/Dole (U.S.) is involved in banana marketing. Mobil (U.S.), Texaco (U.S.) and Shell (U.K.) have invested in wholesale gasoline distribution. Several U.S. franchise chains are now operating in Ecuador, including Tricon (Pizza Hut/Kentucky Fried Chicken/Taco Bell), Burger King, McDonald's, Domino's Pizza, and Blockbuster video. Citibank (U.S.), Lloyd's Bank (U.K.), and ABN AMRO bank (Netherlands) have commercial banking operations in Ecuador. Bell South operates one of Ecuador's two mobile phone services.

New foreign investment in Ecuador has been concentrated in the oil sector. Direct foreign investment (DFI) outside the oil sector remains modest and is focused on financial services, food processing, the chemical and pharmaceutical industries, and machinery and vehicle manufacturing. Overall DFI totaled USD 636 million (5 percent of GDP) in 1999. Of that figure, most was concentrated in the oil sector, primarily through U.S. firms. Non-oil investment in Ecuador in 1999 was USD 84.2 million compared to USD 49.8 million in 1998.

The United States is the major source of foreign investment capital. Registered investment from "off-shore" locations, such as Panama, the Bahamas, and the U. S., includes movements of Ecuadorian-owned capital that would not normally be considered DFI. Growth in foreign investment is necessary to offset the balance of payments impact of debt service payments and promote economic growth.

## Investment statistics table (millions of USD)

	1997	1998
Inflow of FDI	566	831
FDI inflow/GDP (percent)	2.9	4.6
Non-oil FDI	131	124
By Country of Origin: (non-oil; excluding offshore account flows)		
Switzerland	25.5	2.1
Netherlands	15.1	0.8
United States	13.9	49.8
Colombia	4.7	5.5
Japan	1.0	0.0
Britain	0.7	5.2
By sector destination		
Oil/Mining	435	407
Manufacturing	51	35
Financial	45	11
Communications/Transport	16	54
Other	20	25

	1997	1998
Stock of FDI	4,291	5,407
FDI stock/GDP (percent)	21.7	27.4

Source: Central Bank of Ecuador.

## **Q. HOST COUNTRY CONTACT INFORMATION FOR INVESTMENT-RELATED INQUIRIES**

Ministerio de Comercio Exterior, Industrializacion y Pesca  
 Consejo de Comercio Exterior  
 Av. Amazonas y Eloy Alfaro, Edificio MAG, Oficina 111  
 Quito, Ecuador  
 Tel: 593-2-239-258  
 Fax: 593-2-543-897  
 Email: comexi@uio.satnet.net  
 Web site: www.comexi.org  
 Contact: Xavier Mora, Executive Director  
 Foreign Trade Council

Banco Central del Ecuador  
 Departamento de Inversion Extranjera

Av. 10 de Agosto y Briceno  
Quito, Ecuador  
Tel: 593-2-582-577 Ext. 2735  
Fax: 593-2-582-577 Ext. 4722  
Email: eandrade@bce.fin.ec  
Web site: www.bce.fin.ec  
Contact: Elena Andrade, Debt Director

Superintendencia de Companias  
Departamento de Inversiones  
Las Rocas 660 y Amazonas  
Quito, Ecuador  
Tel: 593-2-540/087  
Fax: 593-2-551-757  
Email: rosah@q.supercias.gov.ec  
Contact: Ing. Rosa Maria Herboso de Serrano, Director  
Intendente de Mercado Valores

## **CHAPTER VIII: TRADE AND PROJECT FINANCING**

### **A. BANKING SYSTEM**

The Ecuadorian Banking system continues to reel from the aftermath of the deep economic crisis that has crippled the country since 1998, the worst in 70 years. Since 1998 more than a half-dozen banks have been forced to close their doors due to severe liquidity problems, and an equal number have been intervened by the government of Ecuador (GOE) in a desperate attempt to bolster the teetering financial sector. There are currently a total of 28 local and foreign banks operating in Ecuador, down from 41 just two years ago. The number of banks in Ecuador is expected to shrink even further as existing banks contemplate mergers to offset the weight of poor portfolios, extensive international credits, and a shrinking depositor base.

Private Banks, financial companies, and insurance firms are regulated by the Superintendence of Banks. In December 1998, the Deposits Insurance Agency (AGD) was formed to cope with a growing number of bank failures and liquidity problems, and to implement necessary and comprehensive banking reforms and controls. In 1999, the GOE authorized the AGD to restructure the banking sector based on results of an international auditing process.

The banking crisis, which originated in 1998 and worsened in 1999, brought about a reduction in the number of Ecuadorian banks. The five largest banks, with over half the assets of the banking system are: Filanbanco (merged with Banco La Previsora and under the supervision of the AGD, and the Superintendence of Banks); Banco del Progreso (currently closed and under the supervision of the Superintendence of Banks); Banco del Pichincha; Banco del Pacifico (merged with Banco Continental, a government controlled bank); and Banco Popular (currently closed and under the supervision of the AGD, and the Superintendence of Banks). There are also several financial companies, savings cooperatives, and foreign exchange brokers. Large interest rate spreads (averaging 20 points for 90-day terms during 1999), and cost cutting have allowed some banks to be marginally profitable.

The Financial Institutions law established fully consolidated financial disclosure requirements. Although early intervention by the Superintendence of Banks is no longer required in the event of solvency problems, a regulation passed in 1996 requires the Superintendence of Banks to liquidate the assets of the failed institution. All new banks are required to have a capital stock (technical equity) of about USD 6 million (existing banks must meet this requirement by 2002). Banks must maintain 9 percent of technical equity in relation to weighted assets plus contingents. The Central Bank reserve requirement has been established at 16 percent for deposits in Sucres and 4 percent for dollar deposits (although with dollarization, all funds will be soon denoted in dollars). The AGD is the only deposit insurance scheme in place, and small depositors become senior creditors in the event of liquidation.

## **B. FOREIGN EXCHANGE CONTROLS**

Ecuador has adopted the United States dollar as the country's official currency. The dollar is expected to completely replace the sucre bills in circulation by early 2001. As of June 13, 2000 all savings and checking accounts were officially converted to US dollars. Checks drafted in sucres after that date will no longer be accepted by Ecuadorian banking institutions. The current exchange rate is fixed at S/.25,000.00 Sucres per USD \$1. Virtually all-commercial transactions are made in US dollars.

## **C. GENERAL AVAILABILITY OF FINANCING**

Financing is a key ingredient in selling to both the government and the private sector. Local banks offer financing, in US. dollars, but interest rates are up to 20%, substantially higher than those in the United States, with terms that rarely extend for more than 90 days. As a result, U. S. exporters with the capacity to provide direct credit facilities will have significant competitive advantage. However, U.S. companies are well advised to be very cautious about extending credit facilities to Ecuadorian companies. The Export-Import Bank of the United States is currently open for short and medium-term loan guarantees for the private sector, but is closed to the public sector.

Commercial banks serve as the primary outlets for GOE backed financing. The National Finance Corporation (CFN), in particular, offers short term financing via private banks for industrial and export development. In addition, capital can be raised through the public offer of corporate notes and equity shares via the Quito and Guayaquil stock markets. However, these markets are currently very small and are not an important source of capital, although both have plans to expand sharply in the near future.

## **D. HOW TO FINANCE EXPORTS/METHODS OF PAYMENT**

Virtually all past private sector imports into Ecuador were financed as follows: Terms of sale confirmed by letters of credit. Sixty percent of the letters of credit opened were at 90 days sight; the rest were at sight. Unfortunately, letters of credit are currently very difficult to obtain, most banks abroad will not accept Letters of Credit connected to Ecuadorian banks. Credit card orders are popular among small importers, and cash transactions have become increasingly common. Some U.S. exporters with long-established Ecuadorian clients have been extending lines of credit for periods of 90 to 120 days.

## **E. TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE**

The U.S. Export-Import Bank offers loan guarantees and export credit insurance for U.S. exports for the short to medium-term to the Ecuadorian private sector, but for the moment is closed to the public sector. For more information see: <http://www.exim.gov>

## **F. AVAILABILITY OF PROJECT FINANCING**

The Overseas Private Investment Corporation (OPIC) offers investment risk insurance and limited financing for projects with at least 40% U.S. equity. OPIC financing is available for small and large projects through both direct loans and loan guarantees. These loans generally range in amount from USD 2 million to 10 million. Loan guarantees, which are typically used for larger projects, range in size from USD 10 million to 75 million, but in certain instances can be as high as USD 200 million. More information may be obtained from: <http://www.opic.gov>

The Trade and Development Agency (TDA) provides grants to both private and public sector entities to enable them to contract with U.S. firms to conduct feasibility studies that determine the technical, economic, and financial feasibility of proposed major projects.

More information may be obtained from: <http://www.tda.gov>

The Andean Development Corporation (CAF) is actively involved in financing infrastructure development projects in Ecuador. CAF is presently supporting Peruvian and Ecuadorian projects in the Binational Development Plan for the Border Region which forms part of the Peace Agreement signed by the two countries in October 1998. For a list of projects currently being financed see: <http://www.caf.com>

## **G. TYPES OF PROJECTS RECEIVING FINANCIAL SUPPORT**

### **Multilateral Financing**

The Inter-American Development Bank (IDB) and the World Bank Group, composed of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) are all potential sources for project financing.

The World Bank is active in Ecuador. Between January 1991 and May 1998 the Bank (IBRD/IDA) has made 15 loans to Ecuador totaling USD 660.4 million, net of cancellations, of which USD 301.67 million remains to be disbursed. These loans are targeted primarily toward projects in social development (29%), rural development (16%), municipal development (16%) and disaster relief (9%). Also being financed are: the privatization of public irrigation systems; mining policy reform; judicial reform; and renovation of potable water and sewage systems.

In the area of water and sanitation, the IBRD/IDA will be involved in extending water supply and sewerage infrastructure to low-income areas in Guayaquil through the Guayaquil Water and Sewage Company (ECAPAG). The project will also promote private sector participation in the delivery of services. Proposed financing of USD 70 million has been committed to the project for 1999. Proposed IBRD/IDA commitments for FY 1999 and 2000 include: investments in border area with Peru (USD 60 million); rural roads development (USD 50 million); municipal development (USD 70 million);

and continuing teacher training (USD 5 million).

U.S. firms planning industrial joint venture investments, or housing development projects, may access the National Finance Corporation's (CAN) long term credit lines or the Ecuadorian Housing Bank (BEV) by working through a local representative or organization. CAN credit lines are only available to local U.S. representatives via credit departments of Ecuador's private banks. Credit lines for housing development are available directly from the Ecuadorian Housing Bank.

For further information on World Bank business opportunities please contact:

Mrs. Janice Mazur  
U.S. Department of Commerce Liaison Officer  
Office of the U.S. Executive Director  
International Bank for Reconstruction and Development  
1818 H Street, NW, Room D-13004  
Washington, DC. 20433  
Tel: (202) 458-0118; Fax: (202) 477-2967  
<http://www.ibrd.org>

Mr. Donald Benjamin  
Resident Representative  
World Bank  
Calle Juan Leon Mera 130 y Avda. Patria  
Edif. Corporacion Financiera Nacional, 6to piso  
Quito, Ecuador  
Tels(PBX): 593-2-220-204; Fax: 593-2-220-205  
<http://www.worldbank.org>

U.S. firms seeking information on IDB-financed commercial opportunities should contact:

Mrs. Rebecca Mann, Senior Officer  
And/or Mrs. Barbara White, Commercial Liaison  
U.S. Department of Commerce Liaison Officer  
Office of the U.S. Executive Director  
Inter-American Development Bank  
1300 New York Ave., N.W., Mail Stop 0209  
Washington, DC 20005  
Tels: (202) 623-3821, 623-3822; Fax: (202) 623-2039  
E-mail: [rebecca.mann@mail.doc.gov](mailto:rebecca.mann@mail.doc.gov); [barbara.white@mail.doc.gov](mailto:barbara.white@mail.doc.gov)  
<http://www.iadb.org>

Dra. Dora Currea  
Representacion del BID  
Avda. Amazonas 477 y Roca



Edif. Banco de Los Andes, 9no piso  
 Apartado Postal 17-07-9041  
 Quito, Ecuador  
 Tel: 593-2-562-141; Fax: 593-2-564-660  
<http://www.iadb.org>

For information on multilateral bank related business opportunities please contact:

Office of Multilateral Development Banks  
 The Commercial Service  
 U.S. Department of Commerce, Room H-1107  
 Washington, DC 20230  
 Tel: (202) 482-3399

Mr. Freddy Rojas Parra  
 Representative  
 Corporacion Andina de Fomento (CAF)  
 Avda. 12 de Octubre 1942 y Cordero  
 Quito, Ecuador  
 Tel: 593-2-224-080; Fax: 593-2-222-107  
<http://www.caf.com>

U. S. exporters seeking firms that finance sales to overseas buyers may contact the U. S. Department of Commerce Website: [www.ita.doc.gov/td/efm](http://www.ita.doc.gov/td/efm)

## **H. CORRESPONDENT RELATIONSHIPS WITH U. S. BANKS**

Most Ecuadorian banks maintain correspondent relationships with U.S. banks. Among the major Ecuadorian banks engaging in international business are Banco del Pacifico, Filanbanco, and Banco del Pichincha. In addition, Citibank, Lloyds Bank, and ABN-AMRO operate branch offices in Ecuador. Several Ecuadorian banks, including Pacifico and Pichincha have subsidiaries or agencies in the U.S.; while the Banco de Pacifico owns a bank located in the U.S. At least 14 Ecuadorian banks have offshore branches, which traditionally accepted accept dollar deposits, mostly from Ecuadorians. Some Ecuadorian banks, including Pacific and Popular, own banks in other Andean countries.

## CHAPTER IX: BUSINESS TRAVEL

### A. BUSINESS CUSTOMS

Business customs in Ecuador are similar to those in other Latin American countries. Ecuadorians are formal when engaged in business relations. Suits and ties are the norm. Business meetings are conducted in offices or restaurants, the latter often used in order to get better acquainted with a potential business partner. Meetings normally start somewhat after the appointed time. Americans should be punctual. Normal office hours are 9:00 to 1:00 p.m. and 3:00 to 6:00 p.m. Small talk usually precedes discussion of business.

With regard to social courtesies, Ecuadorians are very polite and well mannered. Superiors are treated in a friendly but respectful way, and the use of a title (such as doctor, economist or engineer) before the name is common. Business is conducted in Spanish. Efforts by Americans to speak Spanish are appreciated. Interpreters are available for Americans who do not speak Spanish. For invitations to Ecuadorians homes, a gift such as flowers is appreciated.

### B. TRAVEL ADVISORY AND VISAS

**ENTRY REQUIREMENTS:** A valid U. S. passport is required to enter and depart Ecuador. Tourists must also provide evidence of return or onward travel. U. S. citizens do not need a visa for a stay of 90 days or less. Those planning a longer visit must obtain a visa in advance. U. S. citizens whose passports are lost or stolen in Ecuador must obtain a new passport and present it, together with a police report of the loss or theft, to the main immigration office in Quito to obtain permission to depart. An exit tax must be paid at the airport when depart Ecuador. For further information regarding entry and customs requirements, travelers should contact the Ecuadorian Embassy at 2535 15<sup>th</sup> Street, N. W., Washington, D.C. 20009; telephone (202) 234-7166; Internet <http://www.ecuador.org>; or the Ecuadorian Consulate in Chicago (312) 329-0266, E-mail: [gchaves1@aol.com](mailto:gchaves1@aol.com); Houston (713) 722-1187, E-mail: [consulhtx@firstnethow.com](mailto:consulhtx@firstnethow.com); Jersey City (201) 985-1700, E-mail: [newjersey@consuladecuadorny.com](mailto:newjersey@consuladecuadorny.com); Los Angeles (323) 658-6020, E-mail: [consec1lac@aol.com](mailto:consec1lac@aol.com); Miami (305) 539-8214, E-mail: [conseccumia@aol.com](mailto:conseccumia@aol.com); New Orleans (504) 523-3229, E-mail: [cogeno@accesscom.net](mailto:cogeno@accesscom.net); New York (212) 808-170, E-mail: [sucoun@mail.idt.net](mailto:sucoun@mail.idt.net); or San Francisco (415) 957-5921, E-mail: [sfconsul@aol.com](mailto:sfconsul@aol.com).

**ADDITIONAL REQUIREMENTS FOR MINORS:** Minors (under 18) who are citizens or residents of Ecuador and who are traveling alone, with one parent or with a third party must present a copy of their birth certificate and written authorization from the absent parent(s) or legal guardian, specifically granting permission to travel alone, with one parent or with a third party. When a parent is deceased, a notarized copy of the death certificate is required in lieu of the written authorization. If documents are prepared in the United States, the authorization and the birth certificate must be translated into

Spanish, notarized, and authenticated by the Ecuadorian Embassy or an Ecuadorian consulate within the U. S. If documents are prepared in Ecuador, only notarization by an Ecuadorian notary is required. This paragraph does not apply to children who enter the country with a U. S. passport as tourists, unless they hold dual U. S./Ecuadorian citizenship.

**MEDICAL INFORMATION:** Ecuador is a developing country. Travelers to the capital city of Quito may require some time to adjust to the altitude (close to 10,000 feet), which can adversely affect blood pressure, digestion and energy level. Tourist facilities are adequate, but vary in quality.

Medical care is available but varies in quality and generally is below U. S. standards. Serious medical problems requiring hospitalization and/or medical evacuation to the United States can cost thousands of dollars or more. Doctors and hospitals often expect immediate cash payment for health services, although many hospitals do take credit cards.

U. S. medical insurance is often not valid outside the United States. U. S. Medicare and Medicaid programs do not provide for payment of medical services outside the United States. Uninsured travelers who require medical care overseas may face extreme difficulties. Please check with your own insurance company to confirm whether your policy applies overseas, including provision for medical evacuations.

Please ascertain whether your insurance company will make payments directly to the overseas hospital or doctor or whether you will be reimbursed later for expenses that you incur. Some insurance policies also include coverage for psychiatric treatment and for disposition of remains in the event of death. Useful information on medical emergencies abroad, including overseas insurance programs, is provided in the Department of State's Bureau of Consular Affairs brochure *Medical Information for Americans Traveling Abroad*, available via the Bureau of Consular Affairs home page or autofax: (202) 647-3000.

**SPECIFIC HEALTH RISKS:** Visitors with heart conditions should be aware that Quito's altitude (close to 10,000 feet) may cause serious health risks. Travelers are encouraged to consult with their personal medical provider before undertaking high-altitude travel. Malaria, yellow fever and cholera are reaching epidemic levels in some outlying regions and are encroaching on the outskirts of cities such as Guayaquil.

Information on vaccinations and other health precautions may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747); fax: 1-888-CDC-FAXX (1-888-232-3299); or via the Internet at <http://www.cdc.gov>

**SAFETY AND SECURITY:** The U. S. Embassy in Quito advises against travel to the northern province of Sucumbios. Since September 1996, U. S. Government personnel have been restricted from travel there. Travelers are also cautioned against visiting the

areas of Carchi Province adjacent to the Colombian border. Both areas are dangerous because of the significant incidence of common crime, extortion, and kidnapping. Caution also should be used in other areas bordering on Colombia, as local law enforcement is faced with growing challenges from Colombia-based organized crime, drug traffickers, and armed insurgents. Since 1994, five U. S. citizens have been kidnapped near the Colombian border.

The city of Guayaquil has experienced a dramatic increase in kidnappings for ransom, often in connection with carjackings. Travelers are advised to be observant of their surrounding, particularly in the restaurant district of Urdesa.

Political demonstrations occur sporadically in urban areas, usually to protest the Ecuadorian Government's handling of the economy. Past demonstrations have been marked by burning tires, blocked streets, and Molotov cocktails. Handguns have been fired into the air, and occasionally at the police, during demonstrations. The police generally respond by using water cannons and tear gas. Public transportation tends to be disrupted during these incidents. Rural highways are also sometimes blocked by protesters. Travelers should avoid areas where demonstrations are taking place and keep informed by following the local news and consulting hotel personnel and tour guides.

The President of Ecuador has used his authority to declare temporary states of emergency in parts of Ecuador on several occasions, often as a response to high crime rates. Under these states of emergency, the military is allowed to perform joint patrols with the police, and curfews may be imposed. The police and military are often granted expanded search authority under a state of emergency, and roadblocks may be set up to check personal identification and vehicle registration. U. S. citizens should carry identification at all times, including proof of U. S. citizenship, and abide by any restrictions imposed during a state of emergency or risk arrest. Travelers should follow the local news or consult with the U. S. Embassy in Quito or the U. S. Consulate General in Guayaquil for specific information regarding a particular state of emergency. For most of 1999, Guayas province, including the city of Guayaquil, has been under a state of emergency.

**CRIME INFORMATION:** In 1998 and 1999, the cities of Quito and Guayaquil experienced an increase in crimes such as armed robberies, assaults, carjackings and kidnappings. Most crimes are of a non-violent nature, such as pickpocketing, burglary of personal effects, or thefts from vehicles or hotel rooms. However, in an increasing number of cases, thieves are armed with guns or knives. House burglaries and carjackings can result in violence. The Ecuadorian Government has increased police patrols in tourists areas, but travelers in resort areas long the coast and in Quito and Guayaquil should remain alert to their surroundings and maintain constant control of purses, backpacks, and briefcases. Expensive-appearing jewelry and watches should not be worn.

In Quito, caution should be taken in tourist areas and crowded marketplaces, especially on the crowded streets of south Quito, the Panecillo, Old Quito, and all transportation terminals. Tourists were robbed in 1999 at the Cotopaxi National Park and La Carolina

Park. Travelers should not frequent the city parks (La Carolina, El Ejido, La Alameda) before dawn and after dark and should not go into the interior of these parks at any time. Other areas identified as dangerous for tourists are El Tejar, Parroquia San Sebastian, Mariscal Sucre, Avenida Cristobal Colon and Gonzalez Suarez. Backpackers are frequently targeted for criminal activity in Quito.

In Guayaquil, extreme caution should be taken in the downtown, dock (El Malecon), and airport areas. Incidences of luggage theft at the airport were reported in early 1998. In 1999, there were a number of assaults on travelers from the United States who were followed from the airport. These assaults occurred during daylight hours as well as at night and often in public areas that might otherwise be considered safe. There have been numerous armed robberies of restaurants and their patrons, including the fashionable areas of Guayaquil.

Travelers to Ecuador's beach areas should be aware that strong currents, undertow, and underwater hazards are common and are not posted. In addition, many beach areas are relatively deserted at night, and crimes such as rape and robbery have been reported.

The loss or theft abroad of a U. S. passport should be reported immediately to the local police and the nearest U.S. embassy or consulate. U. S. citizens can refer to the Department of State's pamphlet, *A Safe Trip Abroad* for ways to promote a more trouble-free journey. This publication and others, such as *Tips for Travelers to Central and South America*, are available from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402; via the Internet at [http://www.access.gpo.gov/su\\_docs](http://www.access.gpo.gov/su_docs); or via the Bureau of Consular Affairs home page at <http://travel.state.gov>.

**CRIMINAL PENALTIES:** While in a foreign country, a U. S. citizen is subject to that country's laws and regulations, which sometimes differ significantly from those in the United States and may not afford the protections available to the individual under U. S. law. Penalties for breaking the law can be more severe than in the United States for similar offenses. Persons violating Ecuadorian laws, even unknowingly, may be expelled, arrested or imprisoned.

Penalties for possession, use or trafficking in illegal drugs in Ecuador are strict, and convicted offenders can expect long jail sentences and heavy fines. U. S. citizens arrested in Ecuador for drug-related offenses may experience prolonged pretrial detention without bail. Prison conditions are substandard.

**OTHER LEGAL ISSUES:** Under Ecuadorian law, a business dispute that normally would be handled by civil litigation in the United States may be converted into a criminal proceeding. This provision of the law has been used to impose travel prohibitions against resident U. S. citizens, and also has led to the arrest and incarceration of U. S. business people while they were awaiting a hearing on the civil matter.

**VOLCANO INFORMATION:** Beginning in September 1998, the Guagua Pichincha volcano, located west of Quito, has exhibited a significant increase in the number of tremors and an accompanying rise in magma level. Since October 1999, there has been an intermittent series of explosions. Volcanic ash has fallen on Quito during some of the explosions, causing temporary closings of area schools and the airport. In the event of a full-scale eruption, geological experts conclude that the city of Quito is protected from possible lava flows, avalanches, and lateral explosions by the bulk of Pichincha mountain, which stands between the city and the volcano crater. Parts of Quito could be affected by secondary mudflows caused by heavy rains that usually accompany an eruption. The entire city could also be affected by slight to significant ash falls and resulting disruptions of water, power, communications, and transportation.

The town of Banos, a popular tourist destination located approximately 80 miles south of Quito, was evacuated in November 1999 because of the increased activity of the adjacent Tungurahua Volcano. The volcano has been ejecting significant amounts of ash and incandescent rocks. Geological experts advise that an explosive eruption could occur quickly and with little warning. The resulting pyroclastic flows would pose a significant and immediate threat to Banos and several small villages in the vicinity. Travelers are advised not to travel to Banos or the surrounding area.

The Quito City Government and the Ecuadorian Geophysical Institute continue to monitor these volcanoes and issue regular reports on their activity. Travelers are advised to pay close attention to the news media in Quito for updates on the situation. Besides Guagua Pichincha and Tungurahua, other volcanoes in Ecuador may, from time to time, also exhibit increased activity. Further information about these and other volcanoes in the Western Hemisphere is available from the National Oceanic and Atmospheric Administration via the Internet at <http://www.ssd.noaa.gov/VAAC/messages>. More information about Ecuador's volcanoes is available in Spanish from the Ecuadorian Geophysical Institute's home page on the Internet at <http://www.cybw.net/volcan>.

**TOUR BOAT SAFETY:** A significant number of Ecuadorian tour vessels, including many operating in the Galapagos Islands, do not meet internationally recognized maritime safety standards. The Government of Ecuador has very limited search and rescue capability in the event of an accident. In 1998, four U. S. citizens drowned when a tour boat capsized within the Galapagos Archipelago.

Beginning in July 2000, the Government of Ecuador plans to require that vessels carrying more than fifteen passengers comply with the International Safety Management (ISM) code established by the International Maritime Organization. Vessels carrying more than thirty-five passengers would be required to have an ISM certificate issued by a member of the International Association of Classification Societies (IACS). Vessels carrying from sixteen to thirty-five passengers could be certified by any classification society, whether or not it is a member of the IACS. Vessels carrying fewer than sixteen passengers would not be required to comply with the ISM code, but could do so voluntarily. Some larger vessels already comply and have received ISM certificates.

Travelers are advised to verify the safety credentials of tour vessels before booking passage. A copy of the vessel's ISM certificate should be made available upon request.

**TRAFFIC SAFETY AND ROAD CONDITIONS:** While in a foreign country, U. S. citizens may encounter road conditions that differ significantly from those in the United States. The information below concerning Ecuador is provided for general reference only, and may not be totally accurate in a particular locations or circumstance.

Safety of Public Transportation:	Poor
Urban Road Conditions/Maintenance:	Poor
Rural Road Conditions/Maintenance:	Poor
Availability of Roadside Assistance:	Poor

Many roads and bridges that were damaged during the 1997-1998 El Nino phenomenon remain without repair, causing delays and detours. Bus travel throughout Ecuador is dangerous especially at night, because of poorly maintained and unmarked roads and bridges. Bus passengers are often targets of crime, including robbery and rape. Travelers should guard against theft of personal belonging on all forms of public transportation.

A peace treaty ending the Ecuador/Peru border conflict was signed on October 26, 1998. The border between the two countries is open, but crossing or approaching the Ecuador-Peru border anywhere except at official checkpoints is dangerous.

**AVIATION SAFETY OVERSIGHT:** The U. S. Federal Aviation Administration (FAA) has assessed the Government of Ecuador's Civil Aviation Authority as Category 2 - not in compliance with international safety standards for oversight of Ecuador's air carrier operations. While consultations to correct the deficiencies are ongoing, Ecuador's air carriers are permitted to conduct limited operations to the U. S. subject to heightened FAA surveillance. For further information, travelers may contact the Department of Transportation within the U. S. at 1-800-322-7873, or visit the FAA's Internet web site at <http://www.faa.gov/avr/iasa/index/htm>. The U. S. Department of Defense (DOD) does not permit its personnel to use air carriers from Category 2 countries for official business except for flights originating from or terminating in the U. S. For information regarding the DOD policy on specific carriers, travelers may contact the DOD at telephone 1-618-256-4801.

**CHILDREN'S ISSUES:** For information on international adoption of children, international parental child abduction, and international child support enforcement issues, please refer to our Internet site at [http://travel.state.gov/children's\\_issues.html](http://travel.state.gov/children's_issues.html) or telephone (202) 736-7000.

**REGISTRATION/EMBASSY LOCATION:** U. S. citizens living in or visiting Ecuador are encouraged to register at the Consular Section of either the U. S. Embassy in Quito or the U. S. Consulate General in Guayaquil and obtain updated information on travel and security in Ecuador. The Consular Section in Quito is open for citizen services, including registration, from 8:00 a.m. to 12:30 p.m. and 1:30 to 4:00 p.m.,



Tuesday through Friday, excluding U. S. and Ecuadorian holidays. The Consular Section in Guayaquil is open for those services from 8:00 a.m. to 12:00 noon, Tuesday through Friday, excluding U. S. and Ecuadorian holidays. The U. S. Embassy is located at the corner of Avenida 12 de Octubre and Avenida Patria (across from the Casa de la Cultura), tel. (011-593-2) 562-890, extension 480, during business hours (8:00 a.m. to 5:00 p.m.) or 561-749 for after-hours emergencies; fax: (011-593-2) 561-524; Internet web site – <http://www.usis.org.ec>. The Consulate General in Guayaquil is located at the corner of 9 de Octubre and Garcia Moreno (near the Oro Verde), telephone (011-593-4)323-570 during business hours (8:00 a.m. to 5:00 p.m.) or 321-152 for after hours emergencies; fax (011-593-4) 320-904. Consular services for U. S. citizens in the Galapagos Islands are provided by the Consulate General in Guayaquil.

### C. HOLIDAYS

<b>Holiday</b>	<b>2000</b>
National Independence Day	August 10
Independence of Guayaquil	October 9 (Guayaquil only)
All Souls Day	November 2
Independence of Cuenca	November 3
Founding of Quito	December 6 (Quito only)
Christmas	December 25
<b>2001</b>	
New Years Day	January 1
Carnival	February 26-27
Good Friday	April 13
Labor Day	May 1
Battle of Pichincha	May 24
Founding of Guayaquil	July 25 (Guayaquil only)
National Independence Day	August 10
Independence of Guayaquil	October 9 (Guayaquil only)
All Souls Day	November 2
Independence of Cuenca	November 3
Founding of Quito	December 6 (Quito only)
Christmas	December 25

### D. BUSINESS INFRAESTRUCTURE

There are an estimate number of ten flights between Quito and Guayaquil (travel by road between these cities requires 7-8 hours) and less frequent flights to other main cities. Highways are almost all two-lane and can be hazardous.

Spanish is the official language and the norm for both spoken and written business communications. However, English is often spoken by the business elite. Telephone



service within the country is poor, but international connections are decent, although expensive. There are cellular telephone services now available in a large portion of the country. Comfortable modern housing is readily available in Quito and Guayaquil. Apartments and town houses are more commonly used by foreigners than free standing houses. There are numerous health hazards in Ecuador, principally caused by contaminated water and food. Gastrointestinal problems are frequent. Cholera is present in some parts of the country. Visitors who follow proper precautions about food and drink are not usually at risk. There have been cases of rabies in Guayaquil and Quito. All types of food are readily available, but proper preparation is essential. There is a wide variety of excellent restaurants in the main cities.

"Guide for Business Representatives" available for sale by the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402; tel. (202) 512-1800; fax (202) 512-2250. Business travelers to Ecuador seeking appointments with U. S. Embassy Quito officials should contact the commercial section in advance. The commercial section or its Commercial Attache can be reached by telephone at 593-2-561-404; 593-2-505-752 or by fax at 593-2-504-550.

## CHAPTER X: ECONOMIC AND TRADE STATISTICS

### APPENDIX A: Country Data

Population (2000 est.):	12.65 million
Population Growth:	2.19 percent
Religions:	Roman Catholic, Protestant
Government:	Constitutional Democracy
Languages:	Spanish, Quichua
Work Week:	Monday-Friday

### APPENDIX B: Domestic Economy 1/

	<u>1998 2/</u>	<u>1999 2/</u>	<u>2000 2/</u>
GDP 3/	19,710	13,769	11,571
GDP Real Growth (in Sucre Terms) (%)	1.5	(7.3)	1.3
GDP Per Capita (USD) 3/	1,621	1,109	915
Gov. Spending/GDP (%) 4/	25.9	29.8	23.0
Public Deficit/GDP (%) 4/	(6.0)	(5.8)	(2.5)
Inflation (%) 5/	36.1	52.2	100.0
Unemployment (%) 6/	11.5	14.4	16.9
Foreign Reserves (year-end)	1,698	1,276	853.9
Ave. Exch. Rate (Sucre/USD)	5403	11632	25000
Debt Service Ratio (%) 7/	39.4	45.0	N/A
U.S. Bilateral Assistance 8/	13.0	17.0	-

### APPENDIX C: Trade 9/

	<u>1998 2/</u>	<u>1999 2/</u>	<u>2000 2/</u>
Merchandise Exports (FOB)	4,203	4,451	4,700
To U.S.	1,637	1,708	1,525
Merchandise Imports (FOB)	5,198	2,786	2,464
Merchandise Imports (CIF)	5,576	3,017	2,695
From U.S. (CIF)	1,680	919	800

### APPENDIX D: Investment Statistics 10/

	<u>1998 2/</u>	<u>1999 2/</u>	<u>2000 2/</u>
Inflow of FDI	831	636	685
FDI Inflow/GDP (%)	4.2	4.6	5.9
Stock of FDI	5,407	6,043	6,728
FDI Stock/GDP (%)	27.4	43.9	58.2

Notes to Appendices A-D

- 1/ Unless otherwise indicated, all data are from the Central Bank of Ecuador (BCE), converted to millions of U.S. dollars at the average annual free market exchange rate.
- 2/ Data is provisional for 1998. Data for 1999 and 2000 is projected by U.S. Embassy based on BCE and other public sources.
- 3/ Due to real exchange rate fluctuations, GDP in dollar terms can be misleading.
- 4/ Consolidated public sector expenditures and surplus or deficit as a percent of GDP.
- 5/ December-to-December percentage change in the National Statistics and Census Institute (INEC) urban consumer price index.
- 6/ Urban formal sector unemployment based on November National Employment Institute (INEM) surveys. Measured urban formal sector underemployment averages 14.3 percent. Urban informal sector employment is around 56 percent.
- 7/ Scheduled interest payments and public sector amortization payments, including arrears, as percentage of total exports of goods and services.
- 8/ U.S. economic and military assistance, including Peace Corps, obligated by fiscal year.
- 9/ BCE trade data varies from U.S. Department of Commerce data.
- 10/ Total direct foreign investment flows from BCE balance of payments statistics. See detailed table in Section VII.D for sector and country of origin data.

## **CHAPTER XI: U. S. AND KEY CONTACTS**

### **APPENDIX E: U. S. and Country Contacts**

#### **Ministerio de Comercio Exterior, Industrializacion y Pesca**

Ave. Amazonas y Eloy Alfaro, Quito, Ecuador

Tel: 593-2-543-893; 505-072; Fax: 593-2-507-549

(Ministry of Foreign Trade, Industrialization and Fishing)

E-mail: [mare55@latinmai.com](mailto:mare55@latinmai.com)

#### **Ministerio de Agricultura y Ganaderia (MAG)**

Ave. Amazonas y Eloy Alfaro, Quito, Ecuador

Tel: 593-2-554-122; 563-622; Fax: 593-2-500-873

(Ministry of Agriculture and Livestock)

E-mail: [ministro@sica.gov.ec](mailto:ministro@sica.gov.ec)

#### **Ministerio de Defensa Nacional**

Exposicion 208, Quito, Ecuador

Tel: 593-2-570-999, 283-414, 952-043; Fax: 593-2-580-431

(Ministry of National Defense)

E-mail: [jmaguirre@hotmail.com](mailto:jmaguirre@hotmail.com)

#### **Ministerio de Obras Publicas (MOP)**

Orellana y Juan Leon Mera, esquina, Quito, Ecuador

Tel: 593-2-222-749; 222-750; Fax: 593-2-223-077

(Ministry of Public Works)

E-mail: [minismop@interactive.net.ec](mailto:minismop@interactive.net.ec)

#### **Ministerio de Salud Publica**

Juan Larrea 444 entre Checa y Riofrio, Quito, Ecuador

Tel: 593-2-236-906, 593-2-521-411, 521-733; Fax: 593-2-569-738

(Ministry of Public Health)

E-mail: [minsalud1@s-gov.net](mailto:minsalud1@s-gov.net)

#### **Ministerio de Gobierno**

Espejo y Benalcazar, Quito, Ecuador

Tel: 593-2-216-080; Fax: 593-2-580-067

(Ministry of Government)

E-mail: [ministrog@presidencia.ec-gov.net](mailto:ministrog@presidencia.ec-gov.net)

**Ministerio de Energia y Minas**

Santa Prisca 223, Quito, Ecuador

Tel: 593-2-572-011, 593-2-523-400; Fax: 593-2-502-980

(Ministry of Energy and Mines)

E-mail: [dinfon@ec-gov.net](mailto:dinfon@ec-gov.net)

**Ministerio de Finanzas**

Av. 10 de Agosto 1661 & Washington, Quito, Ecuador

Tel: 593-2-501-001, 501-002; Fax: 593-2-500-702

(Ministry of Finance)

E-mail: [xcornejo@minfin.ec-gov.net](mailto:xcornejo@minfin.ec-gov.net)

**Ministerio de Turismo**

Eloy Alfaro N32-300 y Carlos Tobar, Quito, Ecuador

Tel: 593-2-228-304, 228-305; Fax: 593-2-229-330

(Ministry of Tourism)

E-mail: [rvazmtur@ec-gov.net](mailto:rvazmtur@ec-gov.net)

**Ministerio de Relaciones Exteriores**

Carrion y 10 de Agosto, Quito, Ecuador

Tel: 593-2-561-040, 593-2-561-215; Fax: 593-2-504-933

(Ministry of Foreign Affairs)

E-mail: [ministro/cancilleria@cancilleria](mailto:ministro/cancilleria@cancilleria)

Internet: [www.mmrree.gov.ec](http://www.mmrree.gov.ec)

**Ministerio de Medioambiente**

Ave. Amazonas y Eloy Alfaro, Piso 7, Quito, Ecuador

Tel: 593-2-563-486, 563-487; Fax: 565-809

(Ministry of Environmental)

E-mail: [mma@ambiente.gov.ec](mailto:mma@ambiente.gov.ec)

**Consejo Nacional de Modernizacion del Estado (CONAM)**

Patria y Juan Leon Mera, Edif. CFN, Piso 9, Quito, Ecuador

Tel: 593-2-509-432; Fax: 593-2-509-437

(National Modernization Council)

E-mail: [ceguez@conam.gov.ec](mailto:ceguez@conam.gov.ec)

**Banco Central del Ecuador (BCE)**

Av. 10 de Agosto y Briceno, Quito, Ecuador

Tel: 593-2-582-577; Fax: 593-2-580-158, 593-2-570-700

(Central Bank of Ecuador)

Internet: [www.bce.fin.ec](http://www.bce.fin.ec)

**Superintendencia de Companias**

Roca 660 y Ave. Amazonas, Quito, Ecuador

Tel: 593-2-525-022; Fax: 593-2-566-685

(Superintendency of Companies)

E-mail: [superintcias@q.supercias.gov.ec](mailto:superintcias@q.supercias.gov.ec)

**Direccion General de Aviacion Civil (DAC)**

Buenos Aires 149 y 10 de Agosto, Quito, Ecuador

Tel: 593-2-223-179; Fax: 593-2-563-995

(General Directorate of Civil Aviation)

E-mail: [dirdac@impsat.net.ec](mailto:dirdac@impsat.net.ec)

**Empresa Metropolitana de Agua Potable y Alcantarillado (EMAP)**

Ave. mariana de Jesus e Italia, Quito, Ecuador

Tel: 593-2-501-230; Fax: 593-2-501-388

(Municipal Potable Water Company)

E-mail: [jvillac.@ibm.net](mailto:jvillac.@ibm.net)

**Instituto Ecuatoriano de Seguridad Social (IESS)**

9 de Octubre y Jorge Washington, esquina, Quito, Ecuador

Tel: 593-2-568-046; Fax: 593-2-231-849

(Ecuadorian Social Security Institute)

E-mail: [pordonez@iess.org.ec](mailto:pordonez@iess.org.ec)

**Petroecuador**

Alpallana y Av. 6 de Diciembre, Quito, Ecuador

Tel: 593-2-229-043; Fax: 593-2-569-738

(Ecuadorian Petroleum Company)

E-mail: [presidente@petroecuador.com.ec](mailto:presidente@petroecuador.com.ec)

**Andinatel**

Av. 6 de Diciembre y Colon, Edif. Partenon, Quito, Ecuador

Tel: 593-2-200-700; Fax: 593-2-568-000

(Ecuadorian Telecommunications Company)

E-mail: [csaenz@andinatel.com](mailto:csaenz@andinatel.com)

**Consejo Nacional de Electrificacion (CONELEC)**

Inglaterra y Amazonas, Edif. Valderrama, Piso 7, Quito, Ecuador

Tel: 593-2-268-743; Fax: 593-2-268-737

(National Electrification Council)

E-mail: [steran@conelec.gov.ec](mailto:steran@conelec.gov.ec)

**Autoridad Portuaria de Guayaquil**

Puerto Maritimo

Guayaquil, Ecuador

Tel: 593-4-480-459, 480-120, ext. 100-101; Fax: 593-4-483-748

(Port Authority of Guayaquil)

E-mail: [autorid1@attglobal.net](mailto:autorid1@attglobal.net)

**Autoridad Portuaria de Manta**

Malecon s/n

Manta, Ecuador

Tel: 593-5-627-161, 627-162, 627-163; Fax: 593-5-621-861

(Port Authority of Manta)

E-mail: [apm1@apm.com.ec](mailto:apm1@apm.com.ec)**Autoridad Portuaria de Puerto Bolívar**

Avda. Bolivar Madero Vargas

Puerto Bolivar, Ecuador

Tel: 593-7-929-999, 929-601; Fax: 593-7-929-634

(Port Authority of Puerto Bolívar)

E-mail: [appb@eo.pro.ec](mailto:appb@eo.pro.ec)**CAE - Corporacion Aduanera Ecuatoriana**

Avda. 25 de Julio, Edif. CAE

Via al Puerto Maritimo

Guayaquil, Ecuador

Tel: 593-4-480-640, ext. 126; Fax: 593-4-489-349

President: Victor Almeida Amat

(Ecuadorian Customs Corporation)

E-mail: customer [service@corpae.com](mailto:service@corpae.com)Internet: [www.corpae.com](http://www.corpae.com)**CEDEGE - Comision de Estudios para el Desarrollo de la Cuenca del Rio Guayas**

Via a la Costa, Km. 26, pasando el Peaje

Guayaquil, Ecuador

Tel: 593-4-872-033 to 036; Fax: 593-4-874-789, 874-079

(Research Commission of the Rio Guayas Basin)

E-mail: [cedege1@telconet.net.ec](mailto:cedege1@telconet.net.ec)**CREA - Centro de Reconversion Economica del Azuay, Cañar y Morona Santiago**

Avda. Mexico entre U. Nacional y Las Americas

Cuenca, Ecuador

Tel: 593-7-817-500; Fax: 593-7-817-134

(Center for the Economic Development of Azuay, Cañar y Morona Santiago provinces)

E-mail: [crea@etapa.com.ec](mailto:crea@etapa.com.ec)**CRM - Centro de Rehabilitacion de Manabi**

18 de Octubre y Sucre, esq.

Portoviejo, Ecuador

Tel: 593-5-651-050, 651-240, 651-979; Fax: 593-5-633-497

(Center for the Development of Manabí province)

E-mail: [cen\\_reha@ma.pro.ec](mailto:cen_reha@ma.pro.ec)**COUNTRY BUSINESS CHAMBERS**

## **Quito**

### **Camara de Industriales de Pichincha**

Av. Republica y Amazonas, Edf. De las Camaras, Piso 11, Quito

Tel: 593-2-452-500, 452-730; Fax: 593-2-448-118

Board President: Ing. Gustavo Pinto

(Chamber of Industries of Pichincha)

E-mail: [camara@camindustriales.org.ec](mailto:camara@camindustriales.org.ec)

### **Camara de Comercio de Quito**

Av. Republica y Amazonas, Edf. De las Camaras, Pisos 5 y 6, Quito Ecuador

Tel: 593-2-443-787, 435-844; Fax: 593-2-435-862

President: Fernando Navarro

(Chamber of Commerce of Quito)

E-mail: [ccq@uio.satnet.net](mailto:ccq@uio.satnet.net)

### **Camara de Comercio Ecuatoriano-Americana**

Av. 6 de Diciembre y La Nina, Edf. Multicentro, Piso 4, Quito, Ecuador

Tel: 593-2-507-450, 507-451, 507-459; Fax: 593-2-504-571

President: Sr. Robert Moss

Executive Director: Roque Mino

(Ecuadorian-American Chamber of Commerce)

E-mail: [info@ecamcham.com](mailto:info@ecamcham.com)

### **Camara de Pequenos Industriales de Pichincha**

Av. Amazonas y Atahualpa, Centro de Exposiciones, Piso 2, Quito, Ecuador

Tel: 593-2-443-388, 443-390; Fax: 593-2-443-742

President: Ing. César Frixone

(Chamber of Small Industries of Pichincha)

E-mail: [capeipi@interactive.net.ec](mailto:capeipi@interactive.net.ec)

### **Camara de Minería del Ecuador**

Av. 12 de Octubre y Lincoln, Edif. Torre 1492, Piso 12, Ofic. 1203, Quito, Ecuador

Tel: 593-2-986-624, 593-2-986-625. 593-2-986-626

Fax Celular: 593-2-986-627

President: Sr. Federico Loor Oporto

Executive Director: Ing. Claudia Cruz

(Chamber of Mines of Ecuador)

E-mail: [cmel@accessinter.net](mailto:cmel@accessinter.net)

### **Camara de Agricultura de la I Zona**

Av. Amazonas 1429 y Colon, Quito, Ecuador

Tel: 593-2-230-195; Fax: 593-2-561-348

President: Ing. Teodoro Gallegos

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### **Lideres**

Av. Pedro Vicente Maldonado 515 y el Tablon  
 Quito, Ecuador  
 Tel: 593-2-670-999; Fax: 593-2-674-923  
 President: Guadalupe Mantilla de Acquaviva  
 Internet: [www.elcomercio.com](http://www.elcomercio.com)

### **El Financiero**

Av. La Coruna 1620  
 Quito, Ecuador  
 Tel: 593-2-229-007; Fax: 593-2-229-593  
 Director: David Perez  
 E-mail: [elfinanciero@elfinanciero.com](mailto:elfinanciero@elfinanciero.com)

## **NEWSPAPERS**

**El Comercio**

Av. Pedro Vicente Maldonado 515 y el Tablon  
 Quito, Ecuador  
 Tel: 593-2-670-999; Fax: 593-2-674-923  
 President: Guadalupe Mantilla de Acquaviva  
 Internet: [www.elcomercio.com](http://www.elcomercio.com)

**El Universo**

Av. Domingo Comin entre Calle 11 y Av. E. Alban  
 Guayaquil, Ecuador  
 Tel: 593-4-490-000; Fax: 593-4-492-295  
 Director: Carlos Perez P.  
 E-mail: [redaccio@eluniverso.com](mailto:redaccio@eluniverso.com)  
 Internet: [www.eluniverso.com](http://www.eluniverso.com)

**KEY AGRICULTURAL BUSINESS CONTACTS****ASOCIACION DE GANADEROS DE LA SIERRA**

(Corn, sorghum and soybean meal importers)

Antonio Granda Centeno 704 y  
 Barón de Carondelet  
 P.O. Box 17-21-1472  
 Quito-Pichincha  
 TEL: 593-2-444102/444103  
 FAX: 593-2-440989  
 President: Mr. Gonzalo Vorbeck  
 Manager: Mr. Juan Pablo Grijalva

**ASOCIACION DE GANADEROS DEL LITORAL Y GALAPAGOS**

(Livestock and corn importers)

Av. Macará, Manzana 38 Solar 9  
 P.O. Box 09-01-11239  
 Guayaquil-Guayas  
 TEL: 593-4-290134/290136  
 FAX: 593-4-281991  
 President: Mr. Rafael Wong Naranjo  
 Manager: Mr. Manuel Baquerizo Puga

**ECUAGRAN (Wheat Importers Association)**

Ave. 6 de Diciembre 3470 y Bosano, Quito, Ecuador  
 Tel: 593-2-465-597/598/599; Fax: 593-2-464-754  
 General Manager: Mr. Patricio Hidalgo

**INDUSTRIAL MOLINERA C.A. (Wheat importer)**

El Oro 101 y la Ria

P.O. Box 644, Guayaquil, Ecuador  
 Tel: 593-4-442-060/447-186; Fax: 593-4-445-576/444-151  
 General Manager: Ms. Nury Díaz

**CONAVE** (corn and soybean importer)  
 Av. Gaspar de Villaroel 1179 y París  
 P.O. Box 17-11-4839  
 Quito-Ecuador  
 TEL: 593-2-464281/464282  
 FAX: 593-2-464282  
 Executive Director: Mr. José Orellana

**GRUPO COMERCIAL FIGALLO CIA. LTDA.**  
 (Wheat, wheat flour, and coarse grains importer)  
 Via a la Costa Km 16 1/2, Guayaquil, Ecuador  
 Tel: 593-4-871-277/871-309/871-308; Fax: 593-4-871-281  
 General Manager: Mr. Charles Figallo

**MOLINERA MANTA** (Wheat importer)  
 San Gabriel 1529 y Valderrama  
 P.O. BOX 17-01-156, Quito, Ecuador  
 Tel: 593-2-232737 - 232738, Fax: 593-2-232739  
 President, Mr. Gonzalo Correa

**MOLINO SUPERIOR** (corn and wheat importer)  
 Av. de la Prensa 3737  
 P.O. Box 17-01-3586  
 Quito-Ecuador  
 TEL: 593-2-442519/469369  
 FAX: 593-2-442519 / 501079  
 Manager: Mr. Jaime Vergara  
 President: Mr. Santiago Vergara  
 Import Manager: Mr. Felipe Vergara

**AFABA** (National Association of Feed Meal Compounders)  
 (Coarse grain and soybean meal importers)  
 Av. Colón y Reina Victoria, Edif. Banco de Guayaquil,  
 Suite 803, Quito  
 Tel: 593-2-554-509 / 566-662, Fax: 593-2-566-663  
 Manager: Mr. Wilson Hidalgo  
 President: Mr. Cesar Muñoz

**CORPCOM** (Agricultural Commodity Trade)  
 (Rice and corn importer)  
 Lizardo Garcia 301 y Vélez  
 P.O.Box 09-01-0660, Guayaquil, Ecuador

Tel: 593-4-454-429/364-276; Fax: 593-4-454-234

President: Mr. Jimmy Caicedo C.

**APROGRACE** (National Assoc. of Cooking Oil Producers)

Jaboneria Nacional, Francisco de Marcos 102 y Eloy Alfaro

P.O.Box 09-01-189, Guayaquil, Ecuador

Tel: 593-4-417-025; Fax: 593-4-415-383

President: Mr. Ernesto Noboa B.

**ASOCIACION DE INDUSTRIALES**

**TEXTILES DEL ECUADOR/AITE** (Cotton importers)

Av. Amazonas y República, Edif. Las Cámaras, 8th floor

P.O. Box 17-01-2893, Quito, Ecuador

Tel: 593-2-249-434; Fax: 593-2-445-159

Executive President: Mr. Antonio José Cobo

**SUPERMERCADOS SANTA ISABEL S.A./IMPORTADORA BACUS**

(Ready food products importer)

Km. 7 1/2 Vía Daule

P.O.Box 8570

Guayaquil-Ecuador

Tel: 593-4-253883 / 250815

Fax: 593-4-251193

Contact: Mr. Alfredo Dassum

**SUPERMAXI** (Ready food products importers)

Eloy Alfaro y Avigiras

P.O.Box 17-11-04910, Quito, Ecuador

TEL: 593-2-401-140/401-100; Fax: 593-2-402-499

Import Manager: Ricardo Wright

**IMPORTADORA EL ROSADO** (Ready food products importer)

9 de Octubre 729 y Boyacá

P.O.Box 534, Guayaquil, Ecuador

Tel: 593-4-322-555/322-000; Fax: 593-4-328-196

General Manager: Mr. Johnny Czarninski

**PRONACA** (Feed meal, corn, and soybean meal importer)

Los Naranjos y Av. Los Granados

P.O.Box: 17-17-1462, Quito, Ecuador

Tel: 593-2-463651 / 463652 / 463653; Fax: 593-2-441588

General Manager: Mr. Juan Rivadeneira

President: Mr. Luis Bakker, Jr.

**TEXTILES SAN ANTONIO** (Cotton importer)

Km. 7 1/2 Vía Daule

P.O.Box 09-01-10444, Guayaquil, Ecuador  
Tel: 593-4-252899; Fax: 593-4-251615  
General Manger: Mr. Alberto Dassun

**ECUACOTTON** (Cotton importer)  
Km.7 1/2 Vía Daule  
P.O.Box 8570, Guayaquil, Ecuador  
Tel: 593-4-251617; Fax: 593-4-251193  
General Manager: Mr. Francisco Dassun

**IMPORTADORA SALINAS** (Fresh fruits)  
Loja y Tupac-Yupanqui, Quito, Ecuador  
Tel: 593-2-954-254/ 954457 ; Fax: 593-2-584832  
General Manager, Mr. Luis Gonzalo Salinas  
President, Mrs. Lucila de Salinas

**IMPORTADORA JUAN ELJURI** (Wine importer)  
Av. G. Ramírez Dávalos 532 y Arenillas  
P.O. BOX "F", Cuenca, Ecuador  
Tel: 593-7-862111 ; Fax: 593-7-804140  
President, Mr. Jorge Eljuri  
Assistant, Mr. Juan Pablo Eljuri



## CHAPTER XII: MARKET RESEARCH

### APPENDIX F: Market Research

#### List of USDA/FAS Commodity Reports and Market Briefs

- Grain and Feed Annual Report (January each year)
- Oilseeds and Products Annual Report (April each year)
- Coffee Annual Report (May each year)
- Coffee Semiannual Report (Voluntary)
- Cocoa Annual Report (September each year)
- Sugar Annual report (April each year)
- Annual Marketing Plan Information Report (July)
- Hotel, Restaurant & Institutions Sector report, Voluntary (February each year)
- Food Processing Sector reports, Voluntary (February each year)
- Exporter Guide Report, Voluntary (September each year)
- Retail Food Sector Report, Voluntary (November each year)

#### List of Commercial Service Reports

- A. Market Overviews (MOR's) 2000
  1. Fishing Equipment (FIS)  
4QTR 00
  2. Medical Equipment (MED)  
4QTR 00
  3. Electric Power Generation (ELP)  
4QTR 00
  4. Telecommunications Equipment (TEL)  
4QTR 00

## **CHAPTER XIII: TRADE EVENTS**

### **A. U. S. Government Events:**

#### International Buyer Program

July 23-27, 2000	Annual Meeting & Clinical Lab Expo San Francisco, CAL
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August 13-16, 2000	International Hardware Week Chicago, IL
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October 3-5, 2000	Medtrade Orlando, FL
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November 5-9, 2000	PackExpo International Chicago, IL
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November 13-17, 2000	Comdex Fall Las Vegas, NV
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March 10-13, 2001	International Beauty Show New York, NY
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May 8-10, 2001	EnviroExpo 2001 Boston, MA
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September 7-10, 2001	NAFEM 2001 Orlando, FL
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### **B. Local Events:**

October 23-29, 2000	Compu Quito 2000 - Cenexpo Quito, Ecuador
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October 27 – November 1, 2000	Expo Deportes 2000 – Expoplaza Guayaquil, Ecuador
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April 27 - May 6, 2001	Madexpo 2001 Quito, Ecuador
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May 25 - June 3, 2001	V Salon de la Vivienda y su Financiamiento Quito, Ecuador
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November 14-19, 2001

Auto Show 2001 – Expoplaza  
Guayaquil, Ecuador